

**Comprehensive Annual
Financial Report**



**Regional Transportation Authority,
Northeastern Illinois**

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For the Year Ended December 31, 1997

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REGIONAL TRANSPORTATION AUTHORITY
NORTHEASTERN ILLINOIS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 1997

Prepared by:

Department of Finance
Joseph G. Costello
Chief Financial Officer
and
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Controller

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INTRODUCTORY SECTION

REGIONAL TRANSPORTATION AUTHORITY

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REGIONAL TRANSPORTATION AUTHORITY

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**Regional
Transportation
Authority**

May 1, 1998

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Board of Directors
Regional Transportation Authority
Chicago, Illinois

It is my pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the Regional Transportation Authority (RTA) for the year ended December 31, 1997. This report has been compiled in accordance with the RTA Act, which requires that the financial statements be audited annually by an independent certified public accountant. The responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and is reported in a manner that presents fairly the financial position and results of operations of the various funds of the RTA. Certain disclosures necessary to enable the reader to gain an understanding of the RTA's activities have been included.

The CAFR is divided into the following three sections:

The *Introductory Section* contains a title page, table of contents, letter of transmittal, a listing of the Principal Officials, and the RTA's organizational chart.

The *Financial Section* begins with the Independent Auditors' Report, and is followed by the audited financial statements with accompanying notes and supplementary information.

The *Statistical Section* provides financial and economic information, generally presented on a multiyear basis.

OVERVIEW OF THE REGIONAL TRANSPORTATION AUTHORITY

The RTA is an organization that has undergone several changes in its 24 years of existence. These changes have included the mission of the agency, along with its governance. However, the financing of the RTA has remained relatively unchanged and the system remains one of the largest in the world.



History and Mission

Upon approval of a referendum in the six-county Northeastern Illinois region, the RTA was created in 1974 as a special purpose unit of local government, a municipal corporation of the State of Illinois. Initially, the RTA provided financial assistance to the then existing public transit operators. However, its role expanded to include the acquisition and operation of public transportation carriers and the use of purchase of service agreements to provide service.

In 1983, the RTA Act (Act) was amended to make substantial changes in the organization and funding of the RTA and its operations. The amended Act placed all operating responsibilities to the appropriate Service Board. This Act also increased RTA oversight powers concerning budgets, and responsibility to monitor the financial condition of the Service Boards. Additionally, the RTA was given responsibility for issues requiring a regional perspective, the coordination of transportation planning activities, market development, and ensuring compliance with Federal and State guidelines.

To guide the RTA in financial oversight responsibilities, the Act requires the RTA Board of Directors to approve an Annual Budget and Two-Year Financial Plan. The Annual Budget must reflect a Farebox Recovery Ratio for the system of at least 50 percent, i.e., at least half of the expenses of the entire RTA system must be covered by system generated revenue. Additionally, the RTA Board of Directors is required to annually review and approve a Five-Year Capital Plan - a blueprint of the capital projects to be funded by the RTA and developed by the Service Boards.

The three Service Boards that are a part of the RTA system include the following:

The *Chicago Transit Authority (CTA)*, provides bus and rapid transit service generally within the City of Chicago and to 38 contiguous suburban municipalities. The CTA, created by the Illinois State Legislature in 1945, began operations in 1947. It became the sole operator of Chicago transit in 1952 when it purchased the Chicago Motor Coach System. The Chicago Transit Board, which consists of seven members, governs the CTA.

The *Commuter Rail Division (Metra)*, provides commuter rail service connecting the downtown of the City of Chicago with 68 other City of Chicago locations and over 100 suburban communities. Formed in 1983 as part of the reorganization of the RTA, Metra is governed by a seven member Board of Directors representing the City of Chicago, suburban Cook County and the collar counties of DuPage, Kane, Lake, McHenry and Will.

The *Suburban Bus Division (Pace)*, provides fixed-route bus and paratransit and other transit services to over 200 communities throughout the suburbs and from suburban locations to the City of Chicago. Formed in 1983 as part of the reorganization of the RTA, Pace is governed by a twelve member Board of Directors made up of current and former suburban village presidents and city mayors.

Reporting Entity

Although part of the RTA system, the Service Boards are not included in the RTA's reporting entity as defined by Governmental Accounting Standards Board Statement No. 14 (Statement 14). Under Statement 14, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. The Joint Self-Insurance Fund is considered a component unit of the RTA, and is included in the RTA's CAFR.

RTA Governance

The RTA Board of Directors consists of 13 members who are appointed from within the six-county region. The composition includes five directors appointed by the Mayor of the City of Chicago, including one director who is also Chairman of the CTA; four directors appointed by the suburban members of the Cook County Board; two directors appointed by the Chairman of the County Boards of Kane, Lake, McHenry, and Will counties; and one director appointed by the Chairman of the DuPage County Board. The Chairman of the RTA Board of Directors is appointed by the other 12 directors. The concurrence of nine directors is required to appoint the Chairman.

A professional staff of approximately 75 members headed by an Executive Director, manages RTA operations. The Administrative Budget was capped in 1985 at \$5.0 million, and restricted to annual increases of five percent of the prior year limit. The RTA has consistently operated under its administrative cap.

RTA System

The RTA system is the second largest in North America, measured by unlinked passenger trips, with approximately 529 million riders in 1997. It covers 3,700 square miles in the six-county area of Cook, DuPage, Kane, Lake, McHenry, and Will counties and based upon the 1990 census, includes a population of 7.3 million people.

The RTA system is comprised of the following:

The *Chicago Transit Authority (CTA)*, provides both bus and rapid transit service. The bus service provides 24.0 million trips per month

using 1,882 buses traveling over 1,894 route miles on 129 bus routes. The rapid transit service provides 10.8 million trips per month serving 140 stations using 1,190 rapid transit cars.

The Commuter Rail Division, *Metra*, provides commuter rail service for 6.0 million trips per month using 130 locomotives and 970 cars traveling over 1,189 miles of track.

The Suburban Bus Division, *Pace*, provides fixed route bus and paratransit services to over 3.1 million trips per month using 638 fixed route buses, 374 paratransit vehicles and 321 vanpools. Its 234 fixed-routes and its 66 local paratransit operations serve 210 communities.

System Financing

The RTA system is financed by farebox revenue and several other revenue sources. In its role as a financial oversight agency, the RTA is responsible for the various revenue sources used to finance the operations and capital projects of the system. This requires the RTA to apply for all applicable grants, request funds from funding sources in a timely manner, and monitor the receipts of dedicated income sources such as the RTA Sales Tax. This also requires the RTA to transfer funds monthly to the Service Boards based upon funding guidelines approved by the Board of Directors.

The RTA Sales Tax is the primary source of non-farebox revenue (See Financial Overview). Other funding sources include the State of Illinois, the U.S. Department of Transportation, and resources within the RTA, such as investment income.

ECONOMY AND OUTLOOK

U.S. Economic Outlook

After nearly seven years of expansion, the U.S. economy remains strong and growing. During state fiscal year 1997, the U.S. economy grew 3.4 percent. The forecasted Gross Domestic Product (GDP) growth for fiscal year 1998 is 3.1 percent. Growth was driven primarily by strong consumer spending. Durables consumption, including autos and computers, grew at the fastest annualized rate in nine years. Business investment spending also was strong.

The Federal Reserve's (Fed) Open Market Committee left interest rates unchanged at its March 1998 meeting, and is not scheduled to meet again until May. The Federal Reserve is taking a wait-and-see attitude toward interest rates in a move to hold off inflation. The Fed continues to monitor the Consumer Price Index (CPI), Producer Price Index, Payroll Jobs Report and the Employment Cost Index for signs of inflation. The forecast calls for price inflation (CPI) to increase slightly over the

course of fiscal year 1998. Accelerating wage inflation due to continual job growth and tight labor markets may push interest rates higher in the future.

Industrial production growth increased from 2.2 percent in fiscal year 1996 to 3.9 percent in fiscal year 1997. According to the WEFA Group, the growth rate is expected to stay high in fiscal year 1998, increasing to 4.2 percent. Much of the growth thus far in the fiscal year is due to higher manufacturing (durables) and utility output.

Expectations for job growth have improved slightly over prior forecasts with no decline from the rate of growth experienced in fiscal year 1997. The service sector will create many of these jobs with manufacturing jobs remaining relatively unchanged. Within the service sector industry, business and health services are expected to produce the lion's share of jobs. The unemployment rate is expected to remain below 5.0 percent for fiscal year 1998.

Almost seven years into the economy's expansion, inflation is still under control. Consumer prices rose only 2.9 percent in fiscal year 1997. The inflation forecast for fiscal year 1998 is 2.1 percent. The Employment Cost Index (ECI) for wages and salaries is expected to increase at a slightly higher rate (3.3 to 3.6 percent).

Tight labor markets in certain industries are forcing employers to increase compensation packages to attract workers. With the unemployment rate under 5.0 percent, the possibility of wage-push inflation is greater. The cycle of low inflation and low unemployment may show some signs of ending if companies cannot find workers to fill jobs.

Other areas of the national economy also have been performing well. Low mortgage rates have helped home sales, as existing home sales prepare to pass last year's record high during this calendar year. The economy is expected to remain sound while growth moderates in the next year.

Illinois and Regional Economic Outlook

According to the Commerce Department, Illinois' ranking in per capita personal income improved in 1996 to seventh (\$26,848) nationwide from eighth (\$25,590) in 1995. Actual 1997 personal income grew by 5.8 percent and is expected to grow by 4.7 percent during fiscal year 1998. With 5.0 percent growth, wages and salaries also are expected to fare well during this fiscal year.

Housing market data from the Illinois Association of Realtors remain positive. Initial estimates indicate existing single family home sales through the first quarter of fiscal year 1998 are up 4.2 percent from last year's level. Existing single family home prices continue to appreciate as well. The median sales price for existing single family homes in Illinois grew 3.2 percent during this period, to \$133,200. Sales prices rose 3.2 percent in the Chicago area, for an average settlement price of

\$160,200. The WEFA Group is anticipating a housing starts decrease of 5.0 percent in fiscal year 1998.

First quarter auto sales volume, as measured by the number of dealer sales documents processed, decreased by 0.3 percent from prior year levels, while the growth in tax collections from new and used car sales increased 5.5 percent during 1998. The WEFA Group is forecasting new car registration to decrease 2.3 percent in fiscal year 1998.

The Chicago Purchasing Manager's Index averaged 58.5 in the fourth quarter of fiscal year 1997. The index reflects manufacturing conditions in seven areas (production, new orders, order backlogs, inventories, employment, supplier deliveries, and prices paid). Index readings above 50 indicate more reports of increasing activity than decreasing activity in the business sector, signifying an economic expansion.

For the RTA, the performance of the Region's economy during the last five years has resulted in steady growth in sales tax revenues. Sales tax revenues have grown from \$462.4 million in 1993 to \$555.5 million in 1997 - a 20.1 percent real increase and a compounded annual growth rate of 4.7 percent. For 1998, sales tax is budgeted at \$567.0 million, a 2.1 percent increase over 1997.

1999 and Beyond. For 1999 and beyond, the two biggest challenges facing the RTA will be financing the system and maintaining transportation marketshare.

At the Federal level, Congress has just completed a new six-year transportation reauthorization measure that holds the promise of increased capital support with greater flexibility in how those funds are used. However, the realization of that promise is dependent on future budget negotiations and annual appropriations.

At the State level, the Reduced Fare program is not expected to change its current funding support - which only provides about 47 percent of the cost of this State-mandated program. Regarding capital funding, the RTA is engaged in a coordinated campaign to persuade the Illinois General Assembly to provide additional support for mass transit.

In 1997, the RTA system experienced an increase in Metra, Pace, and CTA rail ridership, offset by a drop in CTA bus ridership for an overall decrease in ridership of approximately 6.5 million from 535.4 million in 1996 to 528.9 million in 1997. The RTA system will continue to face a major challenge to maintain its marketshare. There are a variety of measures being developed by the RTA to meet this, some of which are discussed in the following section.

MAJOR INITIATIVES

During 1997, the RTA promoted several major initiatives aimed at making the RTA system more efficient and building ridership. A description of some of these initiatives follows.

Privatization

Efforts initiated by the RTA in 1995 to examine the beneficial impacts of privatization to parts of the RTA system were continued into 1997. Particularly noteworthy was the implementation of several findings of the CTA Privatization Opportunities Study. The study brought together RTA, CTA management and CTA unions as well as a consultant chosen by the parties to examine cost-savings measures on such a study.

This joint undertaking was aimed at identifying potential savings by applying business practices from the private sector to CTA operations. It marked the first time that all of the parties concerned had worked together on such a study. The RTA and CTA shared the costs of implementing this savings plan.

As a result of this study, the CTA implemented purchasing and materials management recommendations in 1997. This resulted in a \$5.0 million savings in inventory expenses.

The study also completed diagnostics of both facilities maintenance and maintenance of way. The facilities maintenance recommendations were adopted by CTA in mid-1997. They are expected to yield significant increases in productivity. The maintenance of way diagnostic was completed in the fall of 1997. Implementation is pending review by the CTA's new administration.

RTA Capital Program

The RTA has played a major role in campaigning for capital financing for the region's transit system. Over the past four years, RTA Chairman Thomas J. McCracken and his representatives have worked with legislators in Springfield and Washington to see that the region's needs are met. Despite these efforts, the system still has more than \$3 billion in unmet capital needs over the next five years.

One of the most important ways Chairman McCracken and the RTA Board work to finance capital improvements is through the Discretionary Capital Program. This program provides the local match for federally funded capital projects and funds select projects at 100 percent. The local match for federally funded projects equals 20 percent of the project's cost. They are appropriated annually from the RTA General Fund Balance.

The RTA has spent more than \$411 million for capital projects since the Discretionary Capital Program began in 1974. In 1997, this amount was \$11 million. Increased operating funds and decreased revenue sources have limited projected discretionary disbursements to \$5 million in 1998.

Some of the major capital projects funded in whole or in part in through this program include:

- rehabilitation of the CTA's elevated Green Line;
- construction of a new railcar maintenance facility for the CTA;
- Metra commuter car rehabs;
- Metra suburban passenger station rehabilitation; and
- new bus garages for Pace.

Update on CTA Automated Fare Collection System

The CTA completed a major conversion of its fare collection system in the fall of 1997. This project, known as the Automated Farebox Collection System (AFCS) will continue to significantly reduced cash collected at the farebox and increase efficiency of cash collections through the use of an electronic stored-value card. The system is expected to reduce CTA costs and increase revenues by \$6 million in the first full year of service. The new fare system also enables the CTA to collect ridership data more efficiently. This data will be useful to the CTA in making service adjustments and developing marketing strategies.

Personal Rapid Transit

Under its statutory requirement to develop new public transportation technology, the RTA is developing a personal rapid transit (PRT) system in a joint venture with Raytheon Company. PRT is designed to complement existing mass transit by assembling and distributing main line riders as well as increasing mobility in dispersed areas of congestion. Raytheon's system, PRT 2000™, offers on-demand, non-stop, origin-to-destination transit service utilizing light, unobtrusive guideways.

The RTA and Raytheon Company are sharing development costs of PRT 2000™. The RTA's total commitment to date has been more than \$21 million, including its contract with Raytheon for an amount not to exceed \$18 million towards the construction of a test track at the Raytheon facility in Marlborough, Massachusetts. Raytheon has agreed to provide more than \$25 million to support the testing phase. Raytheon will pay RTA a royalty on future PRT sales outside the RTA region. In 1997, single-vehicle testing was completed and multi-vehicle testing began. Completion of the testing phase of the PRT 2000™ program is anticipated by the summer of 1998.

Transit Oriented Development

The RTA bears the responsibility to plan and oversee public transportation in the six-county region. One of the best examples of RTA's planning vision is its Transit Oriented Development (TOD) project. This project is one measure by which the RTA is seeking to maintain transportation's marketshare in the long run.

Broadly defined, TOD promotes market-based choices that use the existing transit infrastructure of the region. It recommends multiple uses of property, higher densities closer to existing transit, and transit-friendly design, such as sidewalks. Benefits include increased ridership, improvements to air quality and reduced road congestion. TOD developments generally have higher density and mixed land uses, such as shopping, near or within residential or corporate developments.

Previous TOD efforts have focused on the sponsorship of programs and forums directed at municipal officials, developers and educators on the value of this planning tool. To build on the success of these programs, the RTA in 1997 committed to providing matching grants to approved municipal plans for TOD projects.

RTA staff received a number of grant proposals from local communities. They were reviewed by a steering committee comprised of representatives from all three service boards and the RTA. The committee selected submissions from Tinley Park and Blue Island. RTA's maximum participation on each grant is not to exceed \$20,000 or 50 percent of approved project costs. Funding for these projects is included in the RTA's 1998 budget.

Rail Safety Oversight

In response to congressional concern regarding the potential for catastrophic accidents and security incidents on rail transit systems, the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) required creation of a state-managed oversight program for rail transit safety and security. To meet this requirement, the Federal Transit Administration (FTA) issued the State Safety Oversight Rule on December 27, 1995.

The rule requires the state to designate an Oversight Agency to be responsible for implementing the FTA's State Safety Oversight Program. The RTA Act was amended in 1997 to give the RTA this responsibility for the CTA's rapid transit lines -- the only mass transit service in northeastern Illinois covered by this rule.

As the Oversight Agency for the CTA, the RTA must develop a system safety program standard. RTA must then certify that CTA implements a system safety program plan which meets this standard. In addition, for each accident or unacceptable hazardous condition, the RTA will ensure an investigation is conducted and a corrective action plan is prepared. Finally, the RTA will conduct a triennial

safety review that will require CTA to conduct internal safety audits, and submit the required reports to FTA.

In the fall of 1997, the RTA contracted with Battelle Memorial Institute of Columbus, Ohio to develop a safety and security program standard for the CTA rapid transit system. The RTA Board adopted a program standard developed with Battelle's assistance on November 6, 1997. The CTA was then charged with developing a system safety program plan that meets this standard. The 1997 RTA budget included \$200,000 for the RTA's role in performing this function.

FINANCIAL INFORMATION

The Financial Information section includes a discussion of the RTA's internal controls, budget process, a financial overview, debt administration, cash management, and the risk financing program.

Internal Controls

The management of the RTA is responsible for establishing and maintaining an internal control structure. This structure is designed to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that the cost of the control should not exceed the benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the RTA's internal control structure adequately safeguards assets and provides reasonable assurance regarding proper recording of financial transactions.

Budget

The RTA Act requires the RTA Board of Directors to adopt a consolidated Annual Budget and Two-Year Financial Plan. The budgetary process contains three phases: budget development, budget adoption, and budget execution and administration.

Budget Development. The budget process begins with the Budget Call every June. The call is a transmittal document to the Service Boards from the RTA requesting budget information including a three-year financial plan, financial and operating data, year-to-year comparisons, and supplemental information to accompany the data forwarded to RTA.

By mid-August, the Service Boards return the information requested by the Budget Call to the RTA. The RTA Board of Directors reviews this information and by September 15, establishes "marks" for each Service Board. The marks include estimates of available operating funding for the budget and financial plan, estimated cash flows, and a required recovery ratio for the budget. In setting marks, the RTA Board of Directors considers such factors as available RTA revenues for the planning period, the Service Boards' proposed operating and financial plans, capital needs, potential risks and opportunities, and the economic outlook for the region.

Final Budget Prepared. The Service Boards then prepare detailed budgets that conform to the marks and submit them to the RTA and to the public in the manner of public hearings. The RTA staff then analyzes and consolidates the information submitted by the Service Boards into the Program and Budget Book. This book discusses the proposed operating budgets and capital programs. The RTA then holds county board presentations and public hearings for comments on the consolidated budget and plan.

Budget Adoption. Once the public hearings have been completed, the RTA Board of Directors is ready to consider the RTA Budget and Financial Plan for the upcoming fiscal year. To pass, the Budget requires a supermajority of nine votes in the affirmative from thirteen Board members. The Budget is required to meet criteria established by the RTA Act including the requirement that at least 50 percent of the costs of transportation services are derived from system generated revenues, such as farebox or ticket sales.

Budget Execution and Administration. This process begins once the Budget is adopted. Detailed budgets of revenues and expenses are forwarded to the RTA by the Service Boards. Actual monthly financial performance is measured against the monthly budget and reported to the RTA Board of Directors.

Amending the Budget. Occasionally, a revenue or expense item of the budget is amended because of changes in economic conditions, governmental funding, a new program, or other reasons. Depending on the type of request, the proposed amendment may be presented to one or more committees of the RTA Board of Directors for approval. However, all proposed amendments must be approved by the Finance Committee before being recommended to the Board. The RTA Board of Directors ultimately approves or disapproves all proposals. If approved, the RTA and Service Board budgets are amended to include the new change and actual results are then reviewed against the amended budget.

Financial Overview

The RTA, as the funding and oversight agency for mass transportation in Northeastern Illinois, is the recipient of nearly all public funding which, combined with system generated revenue, finance the system. The receipt and transfer of

public funding to the Service Boards are recorded in either the RTA's General Fund or Agency Fund. The revenue sources are described below.

Revenue Sources

Sales Tax. A dedicated sales tax collected by the State of Illinois for the RTA. In general, this tax is imposed at a rate equivalent of one percent in Cook County, and .25 percent in the collar counties of DuPage, Kane, Lake, McHenry, and Will.

Interest on Sales Tax. The State pays interest on Sales Tax receipts to the RTA from the period of collection until disbursement to RTA. The RTA disburses a portion of this interest to the Service Boards pursuant to a statutory formula.

Federal Operating Assistance. The Federal Transit Administration (FTA) provides operating assistance annually - subject to appropriation by Congress - to mass transportation providers. The RTA is the grantee for FTA funds in Northeastern Illinois and the funds flow through to the Service Boards.

Public Transportation Fund (PTF). An annual appropriation made by the State of Illinois and paid monthly to the RTA in an amount equal to 25 percent of monthly sales tax collections. The RTA uses these funds at its discretion to fund Service Board operations.

Additional State Assistance (ASA). This financing, appropriated annually by the State of Illinois, is equal in amount to bondholder payments made during the State Fiscal Year on the Strategic Capital Improvement Bonds (SCIP) issued by RTA.

Reduced Fare Reimbursement. This financing, appropriated annually by the State of Illinois, is partial reimbursement of reduced fares mandated by State law and provided by the Service Boards to elderly, mobility limited, and student riders. The RTA is the grantee and the funds flow through the RTA to the Service Boards.

Other Grants and Reimbursements. Includes Federal and State funding sources under several programs including the Unified Work Program (UWP) and FTA operating funds designated for suburban commuter transportation options. Certain portions of these funds are passed-through to the Service Boards.

In addition, investment of RTA's General Fund cash on hand generates *Investment Income*, which is primarily reserved as local match funds for capital projects funded by the FTA. The investment income is used at the RTA's discretion.

A description of the disbursements from the General and Sales Tax Funds follows.

Expenditures and Transfers

Operating Grants. Funding sources to the Service Boards for operations. This includes the flow-through of Service Board Sales Tax receipts (less Metra excess sales tax, referenced in this section); PTF funding; RTA's discretionary funding of operations; and FTA funding.

Capital Grants, Current Year. Amounts expended on capital projects in 1997 for capital projects approved in 1997.

Sales Tax for Service Board Capital. The amount by which Metra's actual share of Sales Tax receipts exceed the amount budgeted for operations.

Administration. Direct expenditures for the RTA staff and offices.

Non-Administration. These expenditures are related to regional functions, such as the Travel Information Center (TIC) and the recertification of individuals for Reduced Fare ridership cards. These expenses, which are regional in nature, are excluded from the calculation of RTA's cap on Administrative expenditures.

Capital Outlay. Expenditures for RTA's capital projects, such as the Personal Rapid Transit (PRT) development.

Operating Transfer. The RTA periodically transfers funds from the General Fund to the Debt Service Funds for the payment of principal and interest on its outstanding bonds.

For budget purposes, the RTA considers additions to and disbursements from the Sales Tax Fund to be revenues and expenditures, respectively.

The following schedules present summaries of the “budget-basis” revenues and expenditures and transfers recorded in the General and Sales Tax Funds.

Revenues (in 000's)					
	1997	Percent	1996	Amount of	Percent
	Amount	of Total	Amount	Increase	Increase
				(Decrease)	(Decrease)
Sales Tax	\$555,496	71.1%	\$532,304	\$23,192	4.4%
Interest on Sales Tax	1,738	0.2%	1,323	415	31.4%
Federal Operating Assistance	21,592	2.8%	21,598	(6)	0.0%
Public Transportation Fund	139,093	17.8%	133,044	6,049	4.5%
Additional State Assistance	37,953	4.9%	35,678	2,275	6.4%
Reduced Fare Reimbursement	19,243	2.5%	20,435	(1,192)	-5.8%
Investment Income	4,642	0.6%	5,934	(1,292)	-21.8%
Other Grants and Reimbursements	939	0.1%	868	71	8.2%
Totals	<u>\$780,696</u>	<u>100%</u>	<u>\$751,184</u>	<u>29,512</u>	<u>3.9%</u>

The increase in *Sales Tax* for 1997 reflects the strong performance of the economy.

The increase in *Interest on Sales Taxes* is due to larger sales tax collections in 1997.

The increase in *Additional State Assistance* over the prior year reflects increased debt service payments.

Expenditures and Transfers
(in 000's)

	1997 Amount	Percent of Total	1996 Amount	Amount of Increase (Decrease)	Percent Increase (Decrease)
Operating Grants	\$610,618	78.2%	\$597,017	\$ 13,601	2.3%
Capital Grants - Current Year	21,942	2.8%	31,962	(10,020)	-31.3%
Sales Tax for Service Board Capital	30,156	3.9%	31,155	(999)	-3.2%
Reduced Fare Reimbursement	19,243	2.5%	20,435	(1,192)	-5.8%
Other Grants and Reimbursements	89	0.0%	82	7	8.5%
Administration	4,154	0.5%	4,953	(799)	-16.1%
Non-Administration	8,484	1.1%	8,340	144	1.7%
Sales Tax Interest to Service Boards	1,477	0.2%	1,125	352	31.3%
Capital Outlay	7,237	0.9%	7,819	(582)	-7.4%
Operating Transfers	77,729	9.9%	70,537	7,192	10.2%
Totals	<u>\$781,129</u>	<u>100%</u>	<u>\$773,425</u>	<u>\$ 7,704</u>	<u>1.0%</u>

The increase in *Operating Grants* reflects the increased Sales Tax collections in 1997.

Capital Grants to the Service Boards were lower in 1997 than in 1996.

Debt Administration

Under the Act, RTA is authorized to issue General Obligation Bonds for the improvement and expansion of the system's infrastructure. This authorization was a direct result of the RTA's legislative efforts, which demonstrated the need for infrastructure reinvestment. This authorization includes two types of bonds, each with a cap on the maximum allowed to be issued or outstanding.

Debt Authorization and Issuance. The RTA is authorized to issue up to \$500 million in Strategic Capital Improvement Plan (SCIP) bonds and authorized to have outstanding \$500 million in RTA bonds. As of year end 1997, the RTA had issued all \$500 million SCIP bonds and had \$489.8 million in RTA bonds outstanding.

On September 30, 1997, the RTA issued \$98.4 million in refunding bonds to provide resources for all future debt service payments of the refunded debt, \$4.2 million of Series 1990A, \$29.3 million of Series 1991A, \$18.2 million of Series 1992B, and \$47.5 million of Series 1993B, respectively. The refunding resulted in debt service savings of \$11.7 million over the next 26 years. This is equivalent to a savings of \$4.2 million discounted to the present, a 3.9 percent savings on the previous debt service expense.

The RTA's credit ratings during 1997 were "AAA" from Standard & Poor's, and "Aaa" from Moody's Investors Service, Inc. The RTA has the distinction of being among the highest rated public transportation agencies in the United States.

The RTA invests the proceeds of the bonds until that time that the RTA reimburses the Service Boards for their capital outlay. The interest earned adds to the bond proceeds, and has enabled the RTA to make a total of \$1.049 billion available for capital under the combined bond programs.

Cash Management

The RTA's cash management encompasses several funds, some of which are managed directly by RTA staff and others through investment contracts or trust agreements. The RTA's cash management practices recognize that safety of capital is of the utmost importance and has established guidelines towards achieving this goal. Additionally, where applicable, the RTA has complied with applicable Internal Revenue Service (IRS) guidelines regarding arbitrage earnings, and has undertaken several rebate calculations of outstanding bond issues.

RTA Funds Management

The RTA's cash management responsibilities extend to several types of funds with varying levels of cash management required. The types of funds include the following:

General and Agency (Sales Tax) Funds. General Fund cash management includes the General Fund investment portfolio, managed directly by RTA staff, and the RTA's receipt of funds as either grantee (i.e., Federal and State grants) or designated recipient (i.e., RTA Sales Tax). The Sales Tax Fund includes the transfer of these funds from the RTA to the Service Boards.

Debt Service Funds. Funds transferred monthly by the RTA to the Trustee with deposits accumulating for bondholder payments. The RTA selects the investment securities for the deposits in an account administered by the Trustee.

Proprietary (Joint Self-Insurance) Fund. The Joint Self-Insurance Fund is managed directly by the RTA within the guidelines established by the Joint Self-Insurance Fund Bond Ordinance and administered by the Trustee.

Capital Projects Funds. Management of the bond proceeds is awarded on a competitive bid basis to an investment institution and investment is guided by an investment contract.

Trust and Fiduciary (Pension) Fund. The RTA's Pension Fund is governed by a Pension Committee, comprised of RTA and Service Board

Trust and Fiduciary (Pension) Fund. The RTA's Pension Fund is governed by a Pension Committee, comprised of RTA and Service Board representatives from Metra, Pace, and independent members. The Pension Fund is managed by outside institutions selected by the Pension Committee.

The RTA's emphasis upon the security of funds is found in its policies and practice. The RTA's Investment Policy, which governs the General Fund and Agency Funds, is more restrictive than State laws with respect to investment grade, diversification requirements, collateral requirements, and investment term. The RTA reports quarterly to the Audit Committee on its General and Agency Fund investments.

RTA funds with the Trustees are invested in U.S. Treasury issues only, with a weekly mark-to-market made for each portfolio. This would include funds for the Debt Service Funds and Joint Self-Insurance Fund accounts.

Capital Project Funds' investments are governed by the terms of an investment contract which collateralizes fully the bond proceeds invested. These investments are limited to securities backed by the full faith and credit of the U.S. Government and are required to undergo a weekly mark-to-market.

The RTA's Pension Fund utilizes an independent firm to monitor the performance of the outside firms under contract with the Pension Trust to manage the funds.

Arbitrage Rebate Calculations. The RTA has obtained a legal opinion and had the requisite calculation performed on the Series 1992A and 1992B bonds. There was no rebate required from these bond series.

Risk Financing

To meet the self-insurance requirements of the RTA and the Service Boards, the RTA established a Joint Self-Insurance Fund (Fund). The Fund was established in 1986 with the RTA issuing \$40 million in General Obligation bonds. Additionally, the RTA contributed \$2.5 million to the Fund for five consecutive years. The Fund provides resources for the RTA and the Service Boards to borrow from when the claims against them exceed their retained limit.

As of November 15, 1993, the Fund entered into a multiyear claims made insurance agreement. This agreement insures the RTA and the Service Boards against certain losses ranging from \$5 million to \$50 million. Premiums for this coverage are paid from amounts in the Fund.

The Fund is governed by the authorizing ordinance, with a Loss Financing Committee monitoring its activities and performance. The Committee is comprised of four members, with one representative from the RTA, and a member from each of

the three Service Boards. The RTA undertakes the administrative activities related to the Fund and directs cash management and investment activity through the Trustee.

OTHER INFORMATION

In this section, the RTA offers an overview of the independent audit process and an acknowledgment of the effort put forth by various individuals to complete this CAFR.

Independent Audit

The RTA is required by the Act to engage an independent certified public accountant to report on its financial statements within six months after its fiscal year end. To comply with this requirement, the RTA engaged the firm Friedman Eisenstein Raemer and Schwartz, LLP to audit our financial statements and review the financial section of this report. The financial statements were prepared in accordance with generally accepted accounting principles (GAAP) and the auditors' requisite letter of opinion is included in this report.

Additionally, the Single Audit Act requires that government entities which receive \$300,000 or more of Federal government funding in a year have an audit performed on entity-wide basis. This audit is required to be performed in accordance with the Government Auditing Standards, issued by the Comptroller General of the United States, along with the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The RTA has engaged Friedman Eisenstein Raemer and Schwartz, LLP to perform this audit.

Award

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the RTA for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 1996. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial reports. A reproduction of the latest Certificate is included in the Introductory section of this report.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to certain standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The RTA has received a Certificate of Achievement for the last three years (fiscal years ended December 31, 1994 through 1996). We believe that our current CAFR meets the

Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report required significant contributions of time and cooperation of the Finance Department, and in particular, the Controller Division. I want to acknowledge those efforts and the assistance of our outside auditors, as well as other staff members at the RTA.

Respectively submitted,

A handwritten signature in blue ink, reading "J G Costello". The signature is written in a cursive, flowing style.

Joseph G. Costello
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Regional Transportation Authority, Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 1996

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda K. Savitsky
President

Jeffrey L. Esser
Executive Director

AWARDS PRESENTED TO THE RTA

American Public Transit Association **ADWHEEL Award** presented to RTA for **1991 First Place Award Annual Report**

American Public Transit Association **ADWHEEL Award** presented to RTA for **1992 First Place Award Annual Report**

American Public Transit Association **ADWHEEL Award** presented to RTA for **1992 Grand Award Print Media Category as Best Print Item**

American Public Transit Association **ADWHEEL Award** presented to RTA for **1995 First Place Award Annual Report**

American Public Transit Association **ADWHEEL Award** presented to RTA for **1996 First Place Award Annual Report**

American Public Transit Association **ADWHEEL Award** presented to RTA for **1996 First Place Award Map**

American Public Transit Association **ADWHEEL Award** presented to RTA for **1996 First Place Award Annual Report**

American Public Transit Association **ADWHEEL Award** presented to RTA for **1996 Grand Award Print Media Category as Best Print Item**

American Public Transit Association **1995 Chairperson's Honor Roll** named RTA to the **Silver Honor Roll in Recognition of Outstanding Achievement in Transit Advocacy & Public Education**

Government Finance Officers Association of the United States and Canada **Certificate of Achievement for Excellence in Financial Reporting** presented to RTA for its Comprehensive Annual Financial Report for the **Fiscal Year Ended December 31, 1994**

Government Finance Officers Association of the United States and Canada **Certificate of Achievement for Excellence in Financial Reporting** presented to RTA for its Comprehensive Annual Financial Report for the **Fiscal Year Ended December 31, 1995**

Government Finance Officers Association of the United States and Canada **Certificate of Achievement for Excellence in Financial Reporting** presented to RTA for its Comprehensive Annual Financial Report for the **Fiscal Year Ended December 31, 1996**

Government Finance Officers Association of the United States and Canada for **Distinguished Budget Presentation Award** presented to RTA for its **1997 Annual Budget and Five-Year Program**

REGIONAL TRANSPORTATION AUTHORITY

List of Principal Officials
December 31, 1997

Board of Directors

Chairman

Thomas J. McCracken, Jr.

Directors

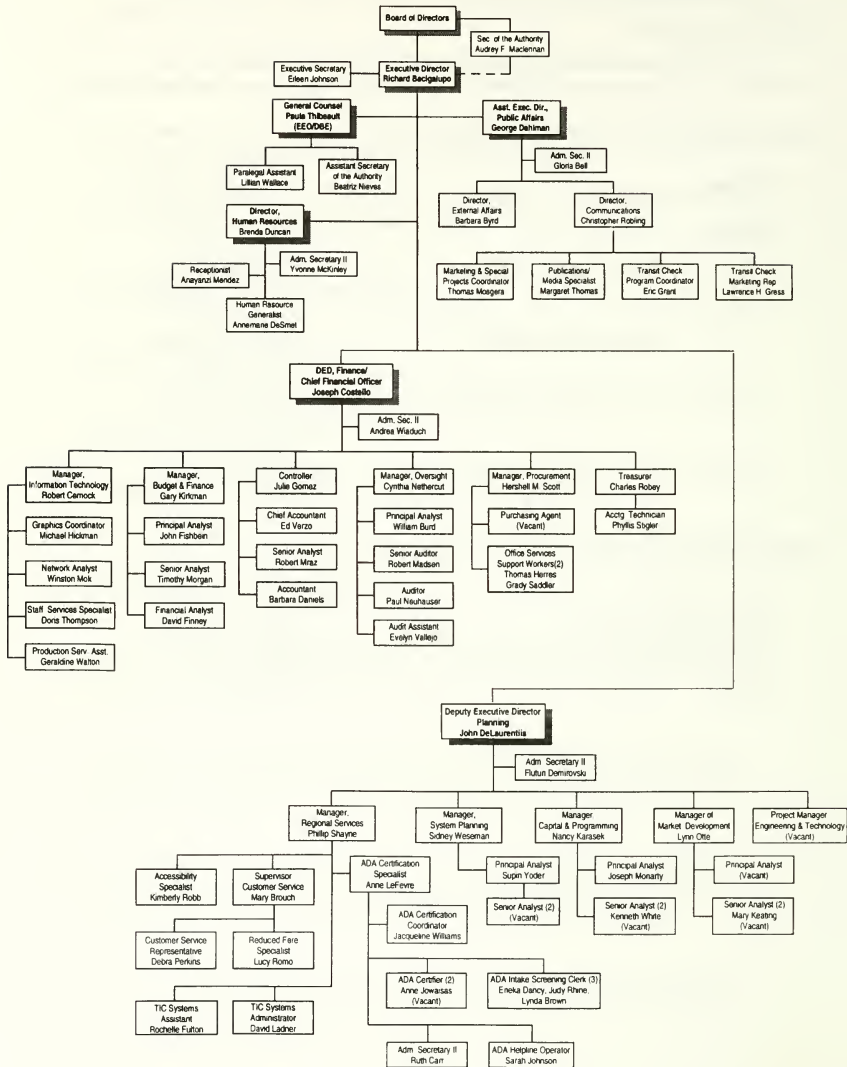
Arthur W. Angrist
Duane E. Carter
Herbert E. Gardner
Armando Gomez, Sr.
Valerie B. Jarrett
Mary M. McDonald
Frank R. Miller
Thomas H. Reece
Michael Rosenberg
Donald L. Totten
Douglas M. Troiani
Reverend Addie L. Wyatt

Administration

Executive Director
Deputy Executive Director
General Counsel
Chief Financial Officer
Controller

Richard J. Bacigalupo
John DeLaurentiis
Paula S. Thibeault
Joseph G. Costello
Julie Gomez

Regional Transportation Authority Organizational Chart January 1, 1998



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

May 1, 1998

Board of Directors
Regional Transportation Authority
Chicago, Illinois

We have audited the accompanying general purpose financial statements of the Regional Transportation Authority (Authority) as of and for the year ended December 31, 1997, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Regional Transportation Authority Pension Plan, which represent 29% and 100%, respectively, of the assets and revenues of the Fiduciary Fund Type. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Regional Transportation Authority Pension Plan, is based on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 11, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," and Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers."

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Regional Transportation Authority as of December 31, 1997, and the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles.

FERS

In accordance with *Governmental Auditing Standards*, we have also issued our report dated May 1, 1998 on our consideration of the Regional Transportation Authority internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund and account group statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, based upon our audit and the report of other auditors, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The information contained in the statistical section has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, accordingly, we express no opinion thereon.

Friedman Eisenstein Raemer and Schwartz, LLP

GENERAL PURPOSE FINANCIAL STATEMENTS

REGIONAL TRANSPORTATION AUTHORITY

Combined Balance Sheet - All Fund Types and Account Groups

December 31, 1997

Assets and Other Debits	Governmental Fund Types		
	General	Debt Service	Capital Projects
Cash and investments			
Externally restricted	\$ -	20,532,793	208,131,432
Restricted by RTA	1,262,813	-	-
Unrestricted	76,829,592	-	-
Receivables			
Due from other funds	234,484	-	45,338,658
Intergovernmental receivables			
Federal operating assistance	-	-	-
Sales tax	22,714,607	-	-
Interest on sales tax	47,381	-	-
Reduced fare reimbursement	-	-	-
Additional State assistance	3,286,127	-	-
Unified Work Program	141,025	-	-
JSIF claims	-	-	-
Advances to Service Boards	-	-	-
Other advances	190,938	-	-
Accrued interest	59,526	118,953	697,764
Prepaid items	-	-	-
Fixed assets	-	-	-
Other debits			
Amount available in Debt Service Funds	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total Assets and Other Debits	\$ 104,766,493	20,651,746	254,167,854

Proprietary Fund Type	Fiduciary Fund Types Trust and Agency	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Enterprise				
-	-	-	-	228,664,225
19,619,957	-	-	-	20,882,770
-	75,897,712	-	-	152,727,304
-	-	-	-	45,573,142
-	109,968	-	-	109,968
-	128,716,105	-	-	151,430,712
-	268,495	-	-	315,876
-	19,809,806	-	-	19,809,806
-	-	-	-	3,286,127
-	-	-	-	141,025
9,509,141	-	-	-	9,509,141
-	38,164,712	-	-	38,164,712
-	-	-	-	190,938
538,808	480,381	-	-	1,895,432
4,375,000	-	-	-	4,375,000
-	-	22,359,202	-	22,359,202
-	-	-	19,965,858	19,965,858
-	-	-	960,739,142	960,739,142
34,042,906	263,447,179	22,359,202	980,705,000	1,680,140,380

REGIONAL TRANSPORTATION AUTHORITY

Combined Balance Sheet - All Fund Types and Account Groups (Continued)

December 31, 1997

Liabilities, Equity and Other Credits	Governmental Fund Types		
	General	Debt Service	Capital Projects
Liabilities			
Vouchers payable	\$ 6,470	-	-
Due to other funds	-	232,125	45,338,658
Intergovernmental payables			
Federal operating assistance	-	-	-
Operating assistance	295,926	-	-
Reduced fare reimbursement	-	-	-
Capital assistance	982,848	-	17,072,599
Sales tax due to Service Boards	-	-	-
Interest on sales tax due to Service Boards	-	-	-
Advances from State	6,734,884	-	-
Other liabilities			
Accrued other items	3,600,492	-	16,220,166
Accrued interest	-	453,763	-
General obligation bonds payable	-	-	-
Total Liabilities	11,620,620	685,888	78,631,423
Equity and other credits			
Investment in general fixed assets	-	-	-
Contributed capital	-	-	-
Retained earnings (deficit)	-	-	-
Fund balances			
Reserved for			
1987 and prior capital	279,965	-	-
1988 through 1997 capital	47,536,568	-	-
Employee retirement	-	-	-
Debt service	-	19,965,858	-
RTA capital projects	4,049,055	-	-
Bond capital projects	-	-	175,536,431
Unreserved, designated for claims assistance	8,000,000	-	-
Unreserved, undesignated	33,280,285	-	-
Total Equity and Other Credits	93,145,873	19,965,858	175,536,431
Total Liabilities, Equity and Other Credits	\$ 104,766,493	20,651,746	254,167,854

See accompanying notes to general purpose financial statements.

Proprietary Fund Type	Fiduciary Fund Types Trust and Agency	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Enterprise				
-	-	-	-	6,470
2,359	-	-	-	45,573,142
-	109,968	-	-	109,968
-	-	-	-	295,926
-	19,809,806	-	-	19,809,806
-	-	-	-	18,055,447
-	128,716,105	-	-	128,716,105
-	268,495	-	-	268,495
-	38,164,712	-	-	44,899,596
1,618	74,214	-	-	19,896,490
-	-	-	-	453,763
-	-	-	980,705,000	980,705,000
3,977	187,143,300	-	980,705,000	1,258,790,208
-	-	22,359,202	-	22,359,202
48,500,000	-	-	-	48,500,000
(14,461,071)	-	-	-	(14,461,071)
-	-	-	-	279,965
-	-	-	-	47,536,568
-	76,303,879	-	-	76,303,879
-	-	-	-	19,965,858
-	-	-	-	4,049,055
-	-	-	-	175,536,431
-	-	-	-	8,000,000
-	-	-	-	33,280,285
34,038,929	76,303,879	22,359,202	-	421,350,172
34,042,906	263,447,179	22,359,202	980,705,000	1,680,140,380

REGIONAL TRANSPORTATION AUTHORITY

Exhibit 2

Combined Statement of Revenues, Expenditures and Changes
in Fund Balances - All Governmental Fund Types

Year Ended December 31, 1997

	General	Debt Service	Capital Projects	Totals (Memorandum Only)
Revenues				
Sales tax	\$ 83,324,371	-	-	83,324,371
Interest on sales tax	260,710	-	-	260,710
Public Transportation Fund	139,092,878	-	-	139,092,878
Additional State assistance	37,952,860	-	-	37,952,860
Investment income	4,642,562	1,716,045	16,660,690	23,019,297
Other grants and reimbursements	850,275	-	-	850,275
Total Revenues	266,123,656	1,716,045	16,660,690	284,500,391
Expenditures				
Current				
Operating grants	147,011,033	-	-	147,011,033
Capital grants - current year	12,033,597	-	-	12,033,597
Capital grants - prior years	17,533,304	-	-	17,533,304
Capital grants - bonds	-	-	76,957,524	76,957,524
Administration	4,154,120	-	-	4,154,120
Non-administration				
Travel Information Center	3,251,357	-	-	3,251,357
Other	5,232,571	-	-	5,232,571
Capital outlay	3,187,945	-	-	3,187,945
Debt service				
Principal	-	11,665,000	-	11,665,000
Interest	-	60,737,944	-	60,737,944
Debt issuance costs	-	1,083,550	-	1,083,550
Total Expenditures	192,403,927	73,486,494	76,957,524	342,847,945
Excess (Deficiency) of Revenues Over Expenditures	73,719,729	(71,770,449)	(60,296,834)	(58,347,554)

REGIONAL TRANSPORTATION AUTHORITY

Exhibit 2, Continued

Combined Statement of Revenues, Expenditures and Changes
in Fund Balances - All Governmental Fund Types (Continued)

Year Ended December 31, 1997

	General	Debt Service	Capital Projects	Totals (Memorandum Only)
Other financing sources (uses)				
Refunding bond proceeds	\$ -	105,570,935	-	105,570,935
Payment to refunded bond escrow agent	-	(107,138,357)	-	(107,138,357)
Operating transfers in	-	80,781,922	52,301,543	133,083,465
Operating transfers out	(77,728,698)	(3,053,224)	(52,301,543)	(133,083,465)
Total Other Financing Sources (Uses)	(77,728,698)	76,161,276	-	(1,567,422)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(4,008,969)	4,390,827	(60,296,834)	(59,914,976)
Fund Balances				
Beginning of year	97,154,842	15,575,031	235,833,265	348,563,138
End of year	\$ 93,145,873	19,965,858	175,536,431	288,648,162

See accompanying notes to general purpose financial statements.

REGIONAL TRANSPORTATION AUTHORITY

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - General and Agency Funds

Year Ended December 31, 1997

		General	
		Actual	Variance
	Budget	(Budgetary Basis)	Favorable (Unfavorable)
Revenues			
Sales tax	\$ 82,800,000	83,324,371	524,371
Interest on sales tax	-	260,710	260,710
Federal operating assistance	-	-	-
Public Transportation Fund	138,000,000	139,092,878	1,092,878
Additional State assistance	38,400,000	37,952,860	(447,140)
Reduced fare reimbursement	-	-	-
Investment income	4,180,000	4,642,562	462,562
Other grants and reimbursements	1,184,149	850,275	(333,874)
Total Revenues	264,564,149	266,123,656	1,559,507
Expenditures			
Current			
Operating grants	146,716,000	147,011,033	(295,033)
Capital grants - current year	21,942,000	21,942,000	-
Metra excess sales tax	-	-	-
Reduced fare reimbursement	-	-	-
Other grants and reimbursements	-	-	-
Administration	4,779,061	4,154,120	624,941
Non-administration			
Travel Information Center	3,793,953	3,251,357	542,596
Other	6,534,135	5,232,571	1,301,564
Sales tax interest to Service Boards	-	-	-
Capital outlay	7,237,000	7,237,000	-
Total Expenditures	191,002,149	188,828,081	2,174,068
Excess of Revenues Over Expenditures	73,562,000	77,295,575	3,733,575

Budget	Agency Fund		Totals (Memorandum Only)	
	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)	Budget	Actual (Budgetary Basis)
469,200,000	472,171,435	2,971,435	552,000,000	555,495,806
1,200,000	1,477,356	277,356	1,200,000	1,738,066
21,598,000	21,591,589	(6,411)	21,598,000	21,591,589
-	-	-	138,000,000	139,092,878
-	-	-	38,400,000	37,952,860
20,000,000	19,243,297	(756,703)	20,000,000	19,243,297
-	-	-	4,180,000	4,642,562
88,000	89,006	1,006	1,272,149	939,281
512,086,000	514,572,683	2,486,683	776,650,149	780,696,339
463,902,000	463,606,967	295,033	610,618,000	610,618,000
-	-	-	21,942,000	21,942,000
26,896,000	30,156,057	(3,260,057)	26,896,000	30,156,057
20,000,000	19,243,297	756,703	20,000,000	19,243,297
88,000	89,006	(1,006)	88,000	89,006
-	-	-	4,779,061	4,154,120
-	-	-	3,793,953	3,251,357
-	-	-	6,534,135	5,232,571
1,200,000	1,477,356	(277,356)	1,200,000	1,477,356
-	-	-	7,237,000	7,237,000
512,086,000	514,572,683	(2,486,683)	703,088,149	703,400,764
-	-	-	73,562,000	77,295,575

REGIONAL TRANSPORTATION AUTHORITY

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - General and Agency Funds (Continued)

Year Ended December 31, 1997

		General	
		Actual	Variance
	Budget	(Budgetary Basis)	Favorable (Unfavorable)
Other financing (uses)			
Operating transfers (out)	\$ (77,200,000)	(77,728,698)	(528,698)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses - Budgetary Basis	\$ (3,638,000)	(433,123)	3,204,877
Budgetary Basis to GAAP Basis Adjustments		(3,575,846)	
Excess (deficiency) of revenues over expenditures and other financing uses - GAAP basis		(4,008,969)	
Fund Balances			
Beginning of year		97,154,842	
End of year	\$	93,145,873	

See accompanying notes to general purpose financial statements.

Agency Fund			Totals (Memorandum Only)	
Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)	Budget	Actual (Budgetary Basis)
-	-	-	(77,200,000)	(77,728,698)
-	-	-	(3,638,000)	(433,123)
				(3,575,846)
				(4,008,969)
				97,154,842
				93,145,873

REGIONAL TRANSPORTATION AUTHORITY

Exhibit 4

Statement of Revenues, Expenses and Changes in Retained
Earnings - Proprietary Fund Type - Enterprise Fund

Year Ended December 31, 1997

	Joint Self- Insurance
Operating revenues	\$ -
Operating expenses	
Insurance expense	5,000,000
Bank charges	3,978
Total Operating Expenses	5,003,978
Operating loss	(5,003,978)
Nonoperating revenues	
Investment income	1,752,275
Net loss	(3,251,703)
Retained Earnings (Deficit)	
Beginning of year	(11,209,368)
End of year	\$ (14,461,071)

See accompanying notes to general purpose financial statements.

REGIONAL TRANSPORTATION AUTHORITY

Exhibit 5

Statement of Cash Flows - Proprietary Fund Type -
Enterprise Fund

Year Ended December 31, 1997

	Joint Self- Insurance
Cash flows from operating activities	
Operating loss	\$ (5,003,978)
Changes in assets and liabilities	
Decrease in interagency receivable	165,027
Decrease in accrued other expenses	(12,210)
Net cash used in operating activities	(4,851,161)
Cash flows from investing activities	
Increase in investments	(5,211,906)
Investment income	1,766,639
Net cash used in investing activities	(3,445,267)
Cash flows from noncapital financing activities	
Decrease in due to other funds	(1,640,086)
Net decrease in cash and investments	(9,936,514)
Cash and Cash Equivalents	
Beginning of year	19,575,597
End of year	\$ 9,639,083
Cash and Cash Equivalents	\$ 9,639,083
Investments	9,980,874
Total Cash and Investments	\$ 19,619,957

See accompanying notes to general purpose financial statements.

REGIONAL TRANSPORTATION AUTHORITY**Exhibit 6**

Pension Trust Fund Type

Statement of Changes in Plan Net Assets

Year Ended December 31, 1997

		Pension Trust
Additions		
Investment income		
Investment income	\$	14,533,467
Total Additions		14,533,467
Deductions		
Administrative		717,700
Pension benefits and refunds		1,100,325
Total Deductions		1,818,025
Net Increase		12,715,442
Net Assets Held in Trust for Pension Benefits		
Beginning of year		63,588,437
End of year	\$	76,303,879

See accompanying notes to general purpose financial statements.

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

December 31, 1997

(1) Reporting Entity

The Regional Transportation Authority (RTA) was established in 1974 upon approval of a referendum in its six-county Northeastern Illinois region. The operating responsibilities of the RTA are set forth in the RTA Act (Act). The RTA is a unit of local government, body politic, political subdivision and municipal corporation of the State of Illinois. As initially established, the RTA was an operating entity responsible for providing day-to-day bus and rail transportation services. However, in 1983, the Illinois General Assembly reorganized the structure and funding of the RTA from an operating entity to a planning and oversight entity. The reorganization placed all operating responsibilities in the Chicago Transit Authority (CTA) and two operating divisions of the RTA: a Commuter Rail Division (Metra) and a Suburban Bus Division (Pace), each having its own independent board. These divisions conduct operations and deal with subsidized carriers. These three entities are defined in the Act as the "Service Boards."

The Act sets forth detailed provisions for the allocation of receipts by the RTA to the various Service Boards, and imposes a requirement that the RTA's system as a whole achieves annually a "system-generated revenue recovery ratio" (i.e., aggregate income for transportation services provided) of at least 50% of the cost of transportation services. The Service Boards achieve their required recovery ratio by establishing fares and related revenue to cover the required proportion of their proposed expenses. The RTA has the responsibility to supervise the budgets and financial performance of the CTA, Metra and Pace.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB) Statement No. 14, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- (1) Appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to, or impose a financial burden on, the primary government; or
- (2) Fiscal dependency on the primary government.

The accompanying financial statements present the RTA (the primary government) and its component unit. The financial data of the component unit is included in the RTA reporting entity because of the significance of its operational and financial relationship with the RTA.

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

Blended Component Unit

The Joint Self-Insurance Fund (Fund) is a legally separate entity from the RTA, but is effectively controlled by the RTA. Therefore, the Fund is reported as part of the RTA and blended into the appropriate funds.

Separate financial statements for the Fund are maintained at the RTA's administrative offices.

Discretely Presented Component Units

Discretely presented component units are entities that are legally separate from the RTA, but for which the RTA is financially accountable, or whose relationships with the RTA are such that exclusion would cause the RTA's financial statements to be misleading or incomplete. The RTA reporting entity does not include any discretely presented component units.

Excluded Entities

Several other governmental entities have operations within the RTA's region but are separate legal entities. The entities include the CTA, Metra and Pace. The Boards of Directors of each Service Board are completely independent of the RTA Board. The RTA Board has control neither in the selection nor the appointment of any Service Board director nor of any of its management. Further, directors of the CTA, Metra and Pace are excluded from serving on more than one entity's board of directors, including that of the RTA, except for the Chairman of the CTA Board of Directors, who is also an RTA Board member.

The Service Boards maintain separate management, exercise control over all operations (including the passenger fare structure), and are accountable for fiscal matters including: ownership of assets, relations with Federal and State transportation funding agencies that provide financial assistance and the preparation of operating budgets. They are also responsible for the purchase of services and approval of contracts relating to their operations.

The Service Boards are considered fiscally independent of the RTA. Although the RTA reviews the budgets of the CTA, Metra and Pace, approval of the budgets is mandated by State statute if such budgets meet specified farebox recovery ratios. Further, the RTA does not have the authority to modify the budgets of the Service Boards.

The CTA, Metra and Pace have no bonded debt; however, effective January 1, 1995, the CTA entered into a 20-year noncancelable capital lease agreement with the Public Building Commission of Chicago.

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

The CTA, Metra and Pace provide services to different geographic areas within the six-county region. Metra provides transit service to the six-county area, with the majority of the transit riders residing in the suburban metropolitan area and commuting into the City of Chicago. Pace's primary service area is the suburban communities, with limited services to areas within the City of Chicago.

The CTA provides service to the City of Chicago and 38 neighboring suburbs within Cook County. Although programs are underway to increase the transfer of ridership between the service entities, trips of this type presently represent a minority of those taken.

Based on these factors and applying the aforementioned criteria used to determine financial accountability, management of the RTA does not consider the CTA, Metra or Pace to be component units and, accordingly, the financial data of the Service Boards have been excluded from the RTA reporting entity. The RTA is not aware of any entity which is financially accountable for the RTA that would result in the RTA being considered a component unit of such entity.

(2) Summary of Significant Accounting Policies

The accounting policies of the RTA conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies:

(a) Fund Accounting

The accounts of the RTA are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. RTA resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be utilized and the means by which spending activities are controlled. In the financial statements, the various funds are grouped into three broad fund types and six generic fund categories as shown on the following pages.

Governmental Fund Types

The RTA's Governmental Fund Types consist of the General Fund, Debt Service Funds and Capital Projects Funds.

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

General Fund

The General Fund is the general operating fund of the RTA. It is used to account for all financial transactions that are not specifically required to be accounted for in another fund.

Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds

In 1989, the Illinois General Assembly authorized the RTA to issue a maximum of \$500 million of Strategic Capital Improvement Program (SCIP) bonds, and to have a maximum of \$500 million RTA bonds outstanding. Capital Projects Funds are utilized for the receipt and disbursement of the proceeds of the bond issues. The first Capital Projects Fund was established in 1990 with the issue of \$100 million of RTA bonds to fund capital projects at the Service Boards. The proceeds from the bonds issued under the General Assembly's authorization were allocated by the RTA as follows: 50% for capital projects of the CTA; 45% for capital projects of Metra; and 5% for capital projects of Pace. Projects included in approved five-year capital programs will be eligible for reimbursements from these proceeds by the RTA without further review or action by the RTA Board of Directors.

Proprietary Fund Type

Proprietary Funds are used to account for activities that are similar to those found in the private sector and to account for the financing of goods or services provided by a department or agency to other departments or agencies of the governmental unit, or to other governmental units on a cost-reimbursement basis. The RTA has one Proprietary (Enterprise) Fund which relates to the activities of the Joint Self-Insurance Fund.

Joint Self-Insurance Fund

The Joint Self-Insurance Fund (Fund) is used to account for the financing of claims incurred by the Service Boards and the RTA on a cost-reimbursement basis. The Fund is essentially a self-insurance pool to provide a source from which to pay catastrophic losses and other claims incurred by the Service Boards and the RTA arising out of personal

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

injuries, property damage and certain other losses. This Fund is reported as an Enterprise Fund since the predominant participants are outside of the RTA.

Fiduciary Fund Types

Fiduciary Funds account for assets held by a governmental entity in a trustee capacity or as an agent for others. The RTA's Fiduciary Funds consist of one Agency Fund (Sales Tax) and a Pension Trust Fund.

Agency Fund

The Sales Tax Fund records the receipt and disbursement of amounts due to the CTA, Metra and Pace, including Retailers' Occupation and Use Tax (sales tax), interest on this tax, reduced fare reimbursement grants and federal operating assistance grants. Sales tax revenues are recorded in the Sales Tax Fund and are equally offset by a liability to the Service Boards. For budget purposes, the RTA considers additions to, and disbursements from, the Sales Tax Fund to be revenues and expenditures, respectively. In accordance with generally accepted accounting principles for governmental entities, these are additions to, and deductions from, the Fund's assets and liabilities, respectively.

Pension Trust Fund

The Pension Trust Fund is used to account for all accumulation of resources for, and payment of, retirement benefits to employees participating in the RTA Pension Plan and Trust.

(b) Fixed Assets and Long-Term Liabilities

Account groups are used to establish accounting control and accountability for fixed assets and long-term liabilities. Account groups are not funds and, therefore, are not involved in the measurement of the results of operations. The following are the RTA's account groups:

General Fixed Assets Account Group

Fixed assets used in governmental fund type operations are stated at cost, or fair market value at date of donation if donated, in the General Fixed Assets Account Group, rather than governmental funds. Depreciation is not recognized in accordance with standard governmental accounting practices. General fixed assets are acquired for the purpose of

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

providing governmental services at the RTA and not for the production of services that are sold.

General Long-Term Debt Account Group

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group. The RTA's use of this account group relates to general obligation bonds sold in 1990, 1991, 1992, 1993, 1994, 1996 and 1997 to fund capital projects or to fund in advance of maturity certain general obligation bonds.

The entire liability for compensated absences is recorded in the General Fund, since, with the exception of an immaterial amount, these will be liquidated with currently available resources.

(c) Basis of Accounting

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied.

All Governmental and Agency Funds are accounted for using the modified accrual basis of accounting, (i.e., revenues are recognized when they become measurable and available to liquidate liabilities of the current period, and expenditures are recognized when they are expected to draw upon current spendable resources). Sales tax revenues are recorded when they are both measurable and available. Sales taxes are considered measurable and available if collected by the retailer by year-end and received by the RTA within 80 days after year-end. Governmental Funds use the "flow of current financial resources" measurement focus, which is based upon determination of financial position and changes in financial position rather than upon net income determination.

Proprietary and Trust Funds are accounted for using the full accrual basis of accounting. Therefore, revenues are recognized when earned and measurable, and expenses are recognized when they are incurred. These funds use the "flow of economic resources" measurement focus, which is based upon determination of net income.

The Agency Fund is custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

(d) Assets, Liabilities and Fund Equity

Assets

Cash and Investments

All excess General Fund cash is invested and earnings are credited to the General Fund for use in financing general RTA operations. All investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Receivables

Receivables include amounts due from Federal, State and local governments for sales taxes and specific programs and projects.

Restricted Assets

Bond proceeds and amounts set aside for general obligation debt service are classified as restricted assets since their use is limited by the bond indentures.

Liabilities

Intergovernmental Payables

These amounts include accrued financial assistance, sales taxes, capital and other grants due to the Service Boards at December 31, 1997.

Accrued Other Items

Accrued other items represent short-term payables at year-end. Compensated absences which are reported within this category represent the liability for employees' vested vacation at year-end. Compensation for holidays, illness and other qualifying absences is not accrued in the accompanying financial statements because rights to such compensation amounts either do not accumulate or they do not vest. The RTA accounts for compensated absences under Statement No. 16, entitled "Accounting for Compensated Absences," whereby the applicable salary-related employer obligations are accrued in addition to the compensated absences liability.

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

Fund Equity

Fund Balances

Portions of the fund balances of the Governmental and Fiduciary Funds are reserved by the RTA for specific purposes as follows:

Reserved for 1987 and Prior Capital and Reserved for 1988 through 1997 Capital represent the portion of the fund balance to provide the local share of Federal and State funded capital projects and to fund 100% of those projects not funded by another source. The related cash to cover projects for, and prior to, 1987 has been restricted by the RTA Board. The restricted cash represents the 1987 and Prior Capital reserved portion of the fund balance and outstanding liabilities on the capital projects which are represented on the combined balance sheets as capital assistance payables.

Reserved for RTA Capital represents the portion of the RTA fund balance for the unspent portion of capital authorized by RTA's current budget.

Reserved for Debt Service represents the portion of the fund balance of RTA resources legally restricted for the payment of long-term debt principal and interest amounts maturing within the next year.

Reserved for Employee Retirement represents the excess of the Pension Plan and Trust's assets over its liabilities to be used for the payment of employee retirement benefits incurred under the Plan.

Reserved for Bond Capital Projects represents the remaining bond proceeds and investment income committed for capital projects of the Service Boards.

Unreserved, designated for claims assistance represents the portion of the RTA fund balance which is intended for future operating grants to Metra.

Contributed Capital

Contributed capital is the amount of permanent fund capital contributed to the Joint Self-Insurance Fund from the proceeds of the bond issue used to establish the Fund and additional deposits made directly to the Fund since its inception in 1986. There was no change in contributed capital during 1997.

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

(e) Revenues

The RTA has four principal sources of revenue: (1) retailer's occupation taxes, service occupation taxes and use taxes (collectively, RTA Sales Tax); (2) funds appropriated to the RTA by statute through the State's Public Transportation Fund established under the Act; (3) funds in respect of State or Federal grants, or any other such funds, which the RTA is authorized to apply for and receive under the Act; and (4) investment income on unexpended funds held by the RTA.

Intergovernmental grant revenues are recognized when qualifying expenditures have been incurred in accordance with the grant award.

Taxes

The RTA Sales Tax consists of (i) in Cook County, (a) a tax of 1% of the gross receipts from sales of drugs, certain medical supplies and food prepared for consumption off the premises (other than for immediate consumption) imposed on all persons selling tangible personal property at retail (a Food and Drug Tax) and (b) a tax of .75% of the gross receipts from all other taxable retail sales; (ii) in counties within Northeastern Illinois other than Cook County, a tax of .25% of the gross receipts from all taxable retail sales (together with (i) (b), a General Sales Tax); and (iii) a tax of .75% on the use in Cook County, and .25% on the use in Northeastern Illinois other than Cook County of tangible personal property purchased from a retailer outside Northeastern Illinois and titled or registered with a State agency by a person with a Northeastern Illinois address (a Use Tax).

The taxes described in (i) and (ii) above are also imposed on persons engaged in making sales of services pursuant to which tangible personal property or real estate (as incident to a sale of a service) is transferred (with respect to the taxes in (i) and (ii), a Service Occupation Tax).

The RTA Sales Tax is collected by the Illinois Department of Revenue (the Department of Revenue), and paid to the Treasurer of the State of Illinois to be held in trust for the RTA outside the State Treasury. Proceeds from the RTA Sales Tax are payable monthly, without appropriation, by the State Treasurer on the order of the State Comptroller, directly to the RTA.

Also, proceeds from certain sales taxes imposed by the State are allocated to the RTA as part of the restructuring of the State and local sales taxes in Illinois. Until January 1, 1990, the State General Sales Tax, State Use Tax and State Service Occupation Tax portions of the RTA Sales Tax were imposed at a rate of 1% in Cook County. Effective January 1, 1990, as a result of legislation (the Sales Tax Reform Act) aimed at simplifying the base and rate structure of taxes imposed by the State and its local governments, including the RTA, the State General Sales Tax,

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

State Use Tax, State Service Occupation Tax and State Service Use Tax were increased from 5% to 6.25% and any corresponding portions of the RTA Sales Tax in Cook County were reduced from 1% to .75%. In order to avoid a revenue loss to the RTA because of the reduction in this portion of the RTA Sales Tax, the Sales Tax Reform Act directed that portions of the receipts from the State General Sales Tax, State Use Tax, State Service Occupation Tax and State Service Use Tax be paid to the RTA annually.

Specifically, 4% of the net monthly revenue from the 6.25% State General Sales Tax and State Service Occupation Tax and 4% of the net monthly revenue from the State Use Tax on personal property purchased at retail outside the State but registered or titled with a State agency within the State (i.e., .25% of total) is transferred into the County and Mass Transit District Fund in the State Treasury (the CMTD Fund). The amount in the CMTD Fund attributable to taxable sales occurring in Cook County or to property registered or titled in Cook County is then transferred into the RTA Occupation and Use Tax Replacement Fund in the State Treasury (the Replacement Fund). In addition, (i) the net monthly revenue from the State Use Tax and State Service Use tax portions of the 1% State Food and Drug Tax and (ii) 20% of the net monthly revenue of the 6.25% State Use Tax and State Service Use Tax (i.e., 1.25% of total), other than revenues of such taxes attributable to personal property purchased at retail outside the State but registered or titled with a State agency within the State, are deposited in the State and Local Sales Tax Reform Fund (the Reform Fund). Ten percent of the money paid into the Reform Fund is then transferred into the Replacement Fund.

The Act provides that the RTA withhold 15% of the tax revenues generated and that these revenues are deposited into the RTA's General Fund. The RTA is required to pass on to the Service Boards, pursuant to statutory formula, an amount equal to the remainder of such tax revenues. The remaining 85% of sales tax is allocated to the Service Boards as follows:

Service Board	Collected within Chicago	Collected within Cook County Outside Chicago	Collected in DuPage, Kane, Lake, McHenry and Will Counties
CTA	100%	30	-
Metra	-	55	70
Pace	-	15	30

The RTA recognizes as a receivable and revenue in the General Fund only the 15% of the total sales taxes collected to which it is entitled by the amended Act. The remaining portion of the sales tax is recorded in the Agency Fund. The criteria applied for recognition of the receivable

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

and related revenue are that the amounts are "measurable and available" as discussed in Note 2(c).

Public Transportation Fund (PTF)

In accordance with the Act, the State Treasurer is authorized and required to transfer from the State's General Revenue Fund to a special fund in the State Treasury designated the "Public Transportation Fund," an amount equal to 25% of net revenues realized from sales taxes (or, as the case may be, gasoline or parking taxes). These amounts may be paid to the RTA only upon State appropriation. The State has approved an appropriation from the PTF through its 1998 fiscal year which will end June 30, 1998.

None of the revenues from the PTF are payable to the RTA unless and until the RTA certifies to the Governor, State Comptroller and Mayor of the City of Chicago that it has adopted a budget and financial plan as called for by the Act.

The amounts allocable to each of the Service Boards from funding received by the RTA from the State's PTF are allocated at the discretion of the RTA Board in connection with the review and approval of the annual and revised budgets of each Service Board. The allocable amounts of such funds are payable as soon as may be practicable upon their receipt, provided that the RTA has adopted a budget pursuant to Section 4.01 of the Act, and the Service Board that is to receive such funds is in compliance with the budget requirement imposed upon the Service Board pursuant to Section 4.11 of the Act.

Federal Operating Assistance Grant

A grant is provided to the RTA by the Federal Transit Administration (FTA) under Section 5307. The revenue is recognized on the modified accrual basis in the year funds are actually received based upon final approval of the grant. All funds received under this grant are "passed through" to the Service Boards.

Reduced Fare Reimbursement

In the State's fiscal year 1998, which ends June 30, 1998, the Illinois General Assembly appropriated funds for a program under which the Illinois Department of Transportation (IDOT) is authorized to provide to the RTA a reduced fare reimbursement grant for the purpose of reimbursing the Service Boards for a portion of actual revenue losses attributable to reduced fares for students, handicapped persons and the elderly. For the State fiscal years ended June 30, 1997

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

and June 30, 1998, the grants were in the amount of \$20 million for each year. The revenue is recognized on the modified accrual basis when the amount is requested from the IDOT.

Additional State Assistance

The State has authorized Additional State Assistance which is supplemental financing for the RTA's Strategic Capital Improvement Program (SCIP). The Additional State Assistance available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds or (ii) the following amount: for 1997, \$50 million; and for 1998 and each year thereafter, \$55 million. The RTA received \$37,952,860 of Additional State Assistance in 1997.

(f) Expenditures and Expenses

Operating grants consist of financial assistance to the CTA, Metra and Pace. The RTA provides operating assistance to the Service Boards to fund in part their RTA-approved budgets.

Capital grants consist of the RTA local match of FTA- and IDOT-funded capital projects, 100% RTA-funded projects and capital projects funded by RTA and SCIP bonds. It also includes capital payment of approximately \$27 million for sales tax funding due Metra based on statutory formula and budgeted sales tax revenues in excess of their budgeted operating deficit.

Administration consists of those costs of the RTA incurred to carry out its regional funding and administrative activities. These costs were limited by statute to \$8,976,179 for 1997.

Non-administration consists of those costs of the RTA which are exempt from the statutory limit. These costs include the operation of the Travel Information Center, Transit Check Program, Personal Rapid Transit, ADA, reduced fare registration, capital development and other program costs incurred on behalf of the Service Boards.

(g) Cash Flows

For purposes of the statement of cash flows, the RTA considers all short-term securities with original maturities of three months or less to be cash equivalents. Cash and cash equivalents aggregated \$9,639,083 at December 31, 1997 and are included in "Cash and investments - Restricted by RTA" on the accompanying combined balance sheet. The remaining \$9,980,874 included in this line item for the Proprietary Fund Type - Enterprise Fund constitute investments with original maturities in excess of three months.

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

(h) Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) Governmental Accounting Standards Board (GASB) Pronouncements

In September, 1993, the Governmental Accounting Standards Board (GASB) released Statement No. 20 (Statement) "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting." The Statement provides that proprietary funds may apply all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure. The RTA has elected to apply only FASB, APB and ARB materials issued on or before November 30, 1989 to its proprietary fund.

(j) "Memorandum Only" Total Columns

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Also, such data are not comparable to a consolidation. Therefore, interfund eliminations have not been made in the aggregation of these data.

(3) Budget and Budgetary Accounting

Section 4.01(a) of the Act requires the RTA to prepare and adopt a comprehensive annual budget and program presenting the RTA's planned operations and capital expenditures for the forthcoming year. The budget is comprehensive and includes the activity in the General and Agency (Sales Tax) Fund.

The annual budget and related appropriations are prepared on the modified accrual basis of accounting in conformity with generally accepted accounting principles except for RTA capital expenditures and capital grants to Service Boards, which are budgeted for on a project basis, which normally exceeds one year, and debt service payments, which are budgeted as transfers

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

from the General Fund. Budgets for RTA capital expenditures and capital grants to Service Boards that extend beyond one year are presented in the first year of the grants and represent the total amounts awarded. All appropriations lapse at year-end. During the year, no supplementary appropriations, which require approval by the RTA Board, were passed. Although appropriations are adopted for individual line items, the legal level of control (i.e., the level at which appropriation transfers or expenditures in excess of appropriated amounts require RTA Board approval) is restricted to total appropriations/expenditures and total administration appropriations/expenditures. Management has the authority to exceed any line item appropriation without Board approval, provided it does not exceed the total appropriations/expenditures and the total administration appropriations/expenditures. Additional budget detail is used by management for monitoring purposes. It is the policy of the RTA to fund the budgets of the Service Boards, up to the amount appropriated in the annual Budget Ordinance. The Service Boards shall maintain all financial records and shall prepare all financial statements and reports, including quarterly and annual reports required under the Act, in accordance with the following provisions:

1. The first source of funds to be credited against the budgeted funding amount is from FTA operating assistance grants;
2. The second source of funds to be credited against the budgeted funding amount is from 85% sales tax receipts;
3. The third source of funds to be credited against the budgeted funding amount is from PTF receipts; and
4. The fourth source of funds credited against the budgeted funding amount is from RTA 15% sales tax receipts and other discretionary receipts.

The reimbursement of Service Boards' capital expenditures, and the payment of PTF funds, 15% funds and other discretionary funds of the RTA shall be made under the terms and conditions of grant agreements governing such expenditures.

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

(4) Cash and Investments

The captions on the combined balance sheet related to cash and investments and the amounts in the Total (Memorandum Only) column are comprised of the following:

	Deposits	Investments	Total
Externally restricted	\$ -	228,664,225	228,664,225
Restricted by RTA	1,564,431	19,318,339	20,882,770
Unrestricted	3,503,707	149,223,597	152,727,304
	\$ 5,068,138	397,206,161	402,274,299

Deposits and Investments

Section 702.20(ii) of the RTA Act authorizes the RTA to invest any funds or monies not required for immediate use or disbursement. The applicable statutory provisions governing the investment of public funds are found in 30 ILCS 235/0.01, et. seq.

The RTA has an investment policy which was most recently revised on November 6, 1997. This policy is in accordance with the Illinois statutes and allows the RTA to invest in (1) certain obligations of the U.S. Government and its agencies; (2) interest-bearing certificates of deposit, interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act; (3) short-term obligations of corporations organized in the United States with assets exceeding \$500 million and rated within the highest classification established by at least two standard rating services; (4) certain money market mutual funds; (5) Illinois Public Treasurers' Investment Pool; (6) repurchase agreements; and (7) bankers' acceptances.

Deposits

At year-end, the carrying amount of the RTA's deposits was \$5,068,138 and the bank balance was \$7,049,352. The bank balances were covered by Federal Depository Insurance or collateral held by the RTA's agent in the RTA's name.

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

Investments

The RTA's investments are categorized to give an indication of the level of risk assumed by the RTA. Category 1 includes investments that are insured or registered which are held by the RTA's agent in the RTA's name. The RTA held the following investments at December 31, 1997, all of which are Category 1:

Type of Investment	Fair Value
U.S. Treasury securities	\$ 47,652,932
Repurchase agreements	207,950,501
Commercial paper	30,406,216
Bankers' acceptances	14,585,079
Total	\$ 300,594,728

The RTA's investments in money market funds are primarily for debt service funds on deposit with the RTA's Trustee. Management has reviewed the investments in the money market funds and has determined that the types of investments included in the money market funds are consistent with the RTA's investment policies. These funds consist of U.S. Treasury Bills and U.S. Treasury Notes and are collateralized with the same. These funds are not categorized as to credit risk because they are not evidenced by a transferable financial instrument or security. The RTA had \$20,713,721 in money market funds at December 31, 1997. These investments are carried at fair value.

The RTA's investments in repurchase agreements are for Capital Projects Fund investments. The RTA has \$207,950,501 in repurchase agreement investments at December 31, 1997. These repurchase agreements were collateralized with U.S. Treasury Notes. The repurchase agreements are backed by the full faith and credit of the United States Treasury. The RTA's repurchase agreements "mark-to-market" on a daily basis, and require collateral of 102% of the investment value.

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

The RTA's Pension Plan and Trust held the following uninsured, uncollateralized or unregistered investments for which the securities are held by CTC Illinois Trust Company, a subsidiary of The Bank of New York Company, Inc., but not in the Plan's name at December 31, 1997:

Type of Investment		Fair Value
Common stocks	\$	34,383,289
Corporate bonds		2,628,694
U.S. Treasury securities		19,409,733
Short-term mutual funds		19,475,996
Total Plan Investments	\$	75,897,712

The Plan's investments are stated at fair value. The fair value of corporate bonds and common stocks traded on national securities exchanges is the last reported sales price on the last business day of the fiscal year of the Plan. U.S. Treasury securities are valued at the latest bid price. The short-term mutual fund units are stated at cost, which approximates market. These units are maintained in a fund of the custodian and comprise greater than 5% of the Plan's investments.

(5) CTA Loan

During 1992, the RTA made a loan of \$11.011 million to the CTA. An additional \$10 million loan was made during 1993. The CTA repaid \$10 million in 1994, \$3.671 million in 1995, \$3.67 million in 1996 and \$3.67 million in 1997. The loans are now paid.

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

(6) Due To/From Other Funds

The amounts due to/from other funds are as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 232,125
General	Enterprise	2,359
Capital Projects - Investment Income	Capital Projects - RTA Bond	14,187,920
Capital Projects - Investment Income	Capital Projects - SCIP Bond	31,150,738
Total		\$ 45,573,142

(7) Advances to Service Boards

The RTA receives a "13th Month" sales tax payment to replace the monthly advance the RTA previously received. The Illinois Department of Revenue calculates the amount and the RTA verifies that calculation. The allocations to the Service Boards are set forth below:

CTA	\$ 18,128,771
Metra	15,284,347
Pace	4,751,594
Total Service Board Advances	\$ 38,164,712

Sales tax advances are current liabilities.

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

(8) Fixed Assets

The following is a summary of changes in the General Fixed Assets Group during the fiscal year:

	Balance at December 31, 1996	Additions	Retirements	Balance at December 31, 1997
Office furniture and equipment	\$ 815,338	39,432	605,183	249,587
Computer equipment	1,914,148	2,563	101,560	1,815,151
Transportation equipment	17,478,320	2,832,171	2,094,036	18,216,455
Leasehold improvements	2,078,009	-	-	2,078,009
Total	\$ 22,285,815	2,874,166	2,800,779	22,359,202

(9) General Obligation Bonds Payable

General Obligation	December 31, 1996	New Issues	Retirements	December 31, 1997
1990A	\$ 71,985,000	-	5,805,000	66,180,000
1991A	94,210,000	-	30,905,000	63,305,000
1992A and 1992B	218,000,000	-	18,170,000	199,830,000
1993A and 1993B	110,000,000	-	49,330,000	60,670,000
1993C Refunding	22,835,000	-	160,000	22,675,000
1994A and 1994B	208,490,000	-	3,860,000	204,630,000
1994C and 1994D	116,360,000	-	2,095,000	114,265,000
1996 Refunding	151,235,000	-	470,000	150,765,000
1997 Refunding	-	98,385,000	-	98,385,000
Total	\$ 993,115,000	98,385,000	110,795,000	980,705,000

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

Advance Refundings

On June 21, 1993, the RTA advance refunded a portion of its 1990A Series general obligation bond issue. The RTA issued \$23,265,000 of general obligation refunding bonds (1993C Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group. At December 31, 1997, \$20,350,000 of outstanding general obligation bonds (1990A Series) are considered defeased.

On January 30, 1996, the RTA advance refunded a portion of its 1994B and 1994D Series general obligation bond issues. The RTA issued \$151,235,000 of general obligation refunding bonds (1996 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group. At December 31, 1997, \$60,300,000 of outstanding general obligation bonds (1994B Series) and \$75,605,000 of outstanding general obligation bonds (1994D Series) are considered defeased.

On September 18, 1997, the RTA advance refunded a portion of its 1990A, 1991A, 1992B and 1993B Series general obligation bond issues. The RTA issued \$98,385,000 of general obligation refunding bonds (1997 Series). Proceeds from the issuance amounted to \$105,570,935 which includes a premium of \$7,185,935. The proceeds are to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group. At December 31, 1997, \$4,230,000 of outstanding general obligation bonds (1990A Series), \$29,265,000 of outstanding general obligation bonds (1991A Series), \$18,170,000 of outstanding general obligation bonds (1992B Series) and \$47,465,000 of outstanding general obligation bonds (1993B Series) are considered defeased. This advance refunding was undertaken to reduce total debt service payments over the next 26 years by \$11.7 million and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$4.2 million, a 3.9% savings on the previous debt service expense.

Debt Service Requirements

The "debt service requirements" set forth in the following tables represent payments due the trustee, as required by the respective bond agreements. The "principal maturity" columns represent payments due bondholders from the trustee.

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

1990 General Obligation Bonds

In May, 1990, the RTA issued \$100 million in General Obligation Bonds, Series 1990A, to establish a Capital Projects Fund to provide the source of paying costs of the Capital Program for the CTA, Metra and Pace.

The Series 1990A Bonds mature on November 1 over a thirty-year period and interest is payable at rates ranging from 6.00% to 7.15% on November 1, 1990 and semiannually thereafter on May 1 and November 1 in each remaining year.

Debt service requirements on the Series 1990A Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
1998	\$ 1,680,000	5,038,550	6,718,550	1,680,000
1999	1,790,000	4,925,150	6,715,150	1,790,000
2000	1,915,000	4,803,430	6,718,430	1,915,000
2001	-	4,377,239	4,377,239	-
2002	-	4,530,190	4,530,190	-
Thereafter	60,795,000	59,918,400	120,713,400	60,795,000
Total	\$ 66,180,000	83,592,959	149,772,959	66,180,000

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

1991 General Obligation Bonds

In November, 1991, the RTA issued \$100 million in General Obligation Bonds, Series 1991A, to replenish the Capital Projects Fund and to provide the source for paying costs of the Capital Program for the CTA, Metra and Pace.

The Series 1991A Bonds mature on November 1 over a thirty-year period and interest is payable at rates ranging from 4.85% to 6.55% on May 1, 1992 and semiannually thereafter on November 1 and May 1 in each remaining year.

Debt service requirements on the 1991A Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
1998	\$ 1,735,000	6,095,099	7,830,099	1,735,000
1999	1,830,000	5,996,204	7,826,204	1,830,000
2000	1,940,000	5,889,149	7,829,149	1,940,000
2001	2,055,000	5,773,719	7,828,719	2,055,000
2002	-	5,649,391	5,649,391	-
Thereafter	55,745,000	65,890,378	121,635,378	55,745,000
Total	\$ 63,305,000	95,293,940	158,598,940	63,305,000

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

1992 General Obligation Bonds

In June, 1992, the RTA issued \$188 million in General Obligation Bonds, Series 1992A, to pay the cost of purchasing and reconstructing railcars for Metra. The RTA also issued \$30 million in General Obligation Bonds, Series 1992B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the CTA, Metra and Pace.

The Series 1992A and 1992B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.30% to 9.00% on December 1, 1992 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1992A and 1992B Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
1998	\$ 3,540,909	14,243,413	17,784,322	3,420,000
1999	3,743,636	14,051,779	17,795,415	3,610,000
2000	3,963,182	13,840,569	17,803,751	3,820,000
2001	4,200,909	13,611,943	17,812,852	4,045,000
2002	4,455,455	13,366,233	17,821,688	4,290,000
Thereafter	177,749,545	153,442,616	331,192,161	180,645,000
Total	\$ 197,653,636	222,556,553	420,210,189	199,830,000

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

1993 General Obligation Bonds

In June, 1993, the RTA issued \$55 million in General Obligation Bonds, Series 1993A, to pay the cost of repurchasing and reconstructing railcars for Metra. The RTA also issued \$55 million in General Obligation Bonds, Series 1993B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the CTA, Metra and Pace.

The Series 1993A and 1993B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 4.21% to 5.85% on December 1, 1993 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1993A and 1993B Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
1998	\$ 2,007,273	6,080,980	8,088,253	1,950,000
1999	2,097,273	5,990,356	8,087,629	2,040,000
2000	2,200,000	5,891,476	8,091,476	2,130,000
2001	2,316,364	5,783,380	8,099,744	2,240,000
2002	2,436,364	5,666,364	8,102,728	2,360,000
Thereafter	48,371,817	70,798,423	119,170,240	49,950,000
Total	\$ 59,429,091	100,210,979	159,640,070	60,670,000

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

1993 General Obligation Refunding Bonds

In June, 1993, the RTA issued \$23.265 million in General Obligation Bonds, Series 1993C, to provide funds to refund in advance of maturity the RTA's outstanding Series 1990A Bonds maturing November 1 in the years 2003, 2004, 2005 and 2009 in the aggregate amount of \$20.35 million.

The Series 1993C Refunding Bonds mature on June 1 over a sixteen-year period and interest is payable at rates ranging from 2.75% to 5.70% on December 1, 1993 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1993C Refunding Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
1998	\$ 171,364	1,235,962	1,407,326	165,000
1999	178,182	1,228,143	1,406,325	175,000
2000	186,364	1,219,650	1,406,014	180,000
2001	196,364	1,210,458	1,406,822	190,000
2002	1,736,818	1,200,538	2,937,356	200,000
Thereafter	20,100,907	4,402,278	24,503,185	21,765,000
Total	\$ 22,569,999	10,497,029	33,067,028	22,675,000

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

1994 General Obligation Bonds

In May, 1994, the RTA issued \$195 million in General Obligation Bonds, Series 1994A, to pay the costs of purchasing and reconstructing railcars for Metra. Proceeds of Series 1994A Bonds may also be used to purchase new paratransit vehicles for Pace and for rehabilitation of railcars for the CTA. The RTA also issued \$80 million in General Obligation Bonds, Series 1994B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the CTA, Metra and Pace.

The Series 1994A and 1994B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 3.75% to 8.0% on December 1, 1994 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1994A and 1994B Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
1998	\$ 4,045,000	13,025,888	17,070,888	4,045,000
1999	4,245,000	12,814,393	17,059,393	4,245,000
2000	4,470,000	12,585,568	17,055,568	4,470,000
2001	4,705,000	12,340,078	17,045,078	4,705,000
2002	4,955,000	12,076,781	17,031,781	4,955,000
Thereafter	182,210,000	156,932,159	339,142,159	182,210,000
Total	\$ 204,630,000	219,774,867	424,404,867	204,630,000

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

In December, 1994, the RTA issued \$62 million in General Obligation Bonds, Series 1994C, to pay for capital projects of the CTA, Metra and Pace required by the Americans with Disabilities Act, and for vehicle rehabilitation and the construction or renewal of support facilities. The RTA also issued \$129.965 million in General Obligation Bonds, Series 1994D, to pay for portions of the CTA's rehabilitation of the Green Line elevated structure, track replacement and repair or replacement of bus supporting services, and for Pace's construction of bus garages and purchase of new buses and paratransit vehicles.

The 1994C and 1994D Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.30% to 7.75% on June 1, 1995 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1994C and 1994D Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
1998	\$ 2,215,000	8,418,102	10,633,102	2,215,000
1999	2,340,000	8,288,807	10,628,807	2,340,000
2000	2,485,000	8,148,225	10,633,225	2,485,000
2001	2,635,000	7,995,867	10,630,867	2,635,000
2002	2,800,000	7,831,417	10,631,417	2,800,000
Thereafter	101,790,000	99,459,293	201,249,293	101,790,000
Total	\$ 114,265,000	140,141,711	254,406,711	114,265,000

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

1996 General Obligation Refunding Bonds

In January, 1996, the RTA issued \$151.235 million in General Obligation Bonds, Series 1996, to provide funds to refund in advance of maturity the RTA's outstanding Series 1994B Bonds, maturing June 1 in the years 2005-2024, in the aggregate amount of \$60.3 million and Series 1994D Bonds, maturing June 1 in the years 2009-2025, in the aggregate amount of \$75.605 million.

The Series 1996 Refunding Bonds mature on June 1 over a twenty-two-year period and interest is payable at rates ranging from 5.125% to 5.50% on June 1, 1996 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1996 Refunding Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
1998	\$ 490,000	8,223,294	8,713,294	490,000
1999	515,000	8,197,541	8,712,541	515,000
2000	540,000	8,170,506	8,710,506	540,000
2001	570,000	8,142,063	8,712,063	570,000
2002	595,000	5,112,209	5,707,209	595,000
Thereafter	148,055,000	123,289,062	271,344,062	148,055,000
Total	\$ 150,765,000	161,134,675	311,899,675	150,765,000

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

1997 General Obligation Refunding Bonds

On September 18, 1997, the RTA issued \$98.4 million in refunding bonds to provide for all future debt service payments of the refunded debt, \$4.2 million of Series 1990A, \$29.3 million of Series 1991A, \$18.2 million of Series 1992B and \$47.5 million of Series 1993B.

The Series 1997 Refunding Bonds mature on June 1 over a twenty-six-year period and interest is payable at rates ranging from 4.0% to 6.0% on December 1, 1997 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1997 Refunding Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
1998	\$ 240,000	5,479,150	5,719,150	240,000
1999	250,000	5,469,350	5,719,350	250,000
2000	260,000	5,459,150	5,719,150	260,000
2001	2,360,000	5,405,275	7,765,275	2,360,000
2002	4,705,000	5,238,975	9,943,975	4,705,000
Thereafter	90,570,000	57,364,352	147,934,352	90,570,000
Total	\$ 98,385,000	84,416,252	182,801,252	98,385,000

The RTA's credit ratings during 1997 were "AAA" from Standard & Poor's and "Aaa" from Moody's Investors Service, Inc. The RTA has the distinction of being among the highest rated public transportation agencies in the United States.

The RTA invests the proceeds of the bonds until the time when the RTA reimburses the Service Boards for their capital outlay. The interest earned adds to the bond proceeds, and has enabled the RTA to make a total of \$1.049 billion available for capital under the combined bond programs.

All the bonds are general obligations of the RTA to which the full faith and credit of the RTA are pledged. The bonds are payable from all revenues and all other funds received or held by the RTA (except amounts in the Joint Self-Insurance Fund and amounts required to be held or used with respect to separate ordinance obligations) that lawfully may be used for retiring the debt.

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

The bonds are secured by an assignment of a lien on the sales taxes imposed by the RTA. All sales tax receipts are to be paid directly to the trustee by officials of the State of Illinois. If, for any reason, the required monthly debt service payment has not been made by the RTA, the trustee is to deduct it from the receipts. If all payments have been made, the funds are made available to the RTA for regular use.

Under the Act, the CTA, Metra and Pace farebox receipts and funds on hand are not available for payment of debt service.

In the Debt Service Fund, \$19,965,858 is available to service principal and interest payments of the RTA's long-term debt as of December 31, 1997.

(10) Deferred Compensation

The Section 457 deferred compensation plan is an arrangement which permits full-time RTA employees, on a voluntary basis, to authorize a portion of salary withheld through payroll deduction. The deductions are forwarded to the Plan Administrator for investment on behalf of the employees. Neither the amount withheld nor earnings on the investments is subject to current Federal income tax.

The employee payroll deductions are held in trust and are invested on behalf of the employees by the Plan Administrator.

During 1997, all assets in the deferred compensation plan were transferred to a separate trust in accordance with Section 1448 of the Small Business Jobs Protection Act of 1996. As a result, such amounts are no longer subject to the claims of RTA's general creditors, and deferred compensation plan assets are not presented on the balance sheet at December 31, 1997.

Beginning January 1, 1996, RTA also offers its employees a noncontributory defined contribution plan in accordance with Internal Revenue Code Section 401(k). The plan, available to qualified full-time RTA employees, permits the income tax deferral of a portion of compensation until future years. The amount deferred is generally not available to employees, other than through participant loans, until termination, retirement or death. A third-party trustee forwards the participants' contributions to the investment companies selected by the individual participant.

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

(11) Pension

As of January 1, 1997, the RTA adopted the provisions of Governmental Accounting Standards Board Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," and Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers." There was no change in net plan assets resulting from adoption of the new standards.

Plan Description

Effective July 1, 1976, the RTA participates, along with Metra and Pace, in a multi-employer noncontributory defined benefit cost-sharing pension plan and trust, the Regional Transportation Authority Pension Plan (Plan), covering substantially all employees not otherwise covered by a union pension plan. The responsibilities for administering the Plan are divided among a Board of Trustees, a Retirement Committee, a Plan Administrator and the RTA Board of Directors.

The Plan is classified as a "governmental plan" and is, therefore, generally exempt from the provisions of the Employee Retirement Income Security Act of 1974. The Internal Revenue Service has issued a letter of determination dated September 30, 1988 stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (Code) and is, therefore, exempt from Federal income taxes under the provisions of Section 501(a) of the Code. The Plan operates on a calendar fiscal year.

Separate employer contribution accounts were set up for the RTA, Metra and Pace. Contribution expense is accrued by the RTA, Metra and Pace concurrent with the establishment of each employer/employee account.

The Plan provides normal retirement and disability benefits determined as a percentage of the participant's average annual compensation in the three completed plan years of highest compensation. Prior service credits are provided to participants employed prior to July 1, 1984 who were employed on a full-time basis prior to their employment with the RTA by another governmental entity or by certain providers of transportation services. (Prior service credits for participants employed after June 30, 1984 were eliminated with the 1984 amendments to the Plan.) The complete Plan financial report can be obtained from the plan administrator at the RTA.

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

Funding Policy

Prior to July 1, 1979, contributions were made on the basis of non-actuarial estimates. The Plan's initial actuarial study found that those estimates were in excess of actuarial requirements. As a result, pension expense is being reduced by amortization of the excess over 20 years. (Prior to 1985, the excess was amortized over a ten-year period.)

Participating employees do not contribute to the Plan. The RTA is required to contribute the amounts necessary to fund the benefits of its own employees in the Plan using the projected unit credit actuarial method. No contributions were made or accrued during 1997.

The actuarially determined contribution requirements were as follows:

	1997	1996
RTA actuarially determined contribution	\$ -	71,900
Contribution made	-	868,365

Assets are valued recognizing a portion of both realized and unrealized gains and losses in order to avoid wide swings in actuarially determined funding requirements from year to year. Certain directors and employees hired after age 60 are allowed to participate in the Plan. One hundred percent vesting occurs after five years of service and benefit accruals are provided for participants over age 65. An employee may retire early after age 55 after completing ten years of credited service with reduced benefits.

Related Party Transactions

There were no securities of the RTA, Metra, Pace or related parties included in the Plan's assets.

Annual Pension Cost and Net Pension Obligation

For 1997, the RTA's annual pension cost of \$0 was equal to the required and actual contribution. The required contributions were determined as part of the January 1, 1997 actuarial valuation.

In accordance with the GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers," the RTA determined its net pension obligation at transition (January 1, 1997). There was no net pension obligation for the Plan at transition or at year-end.

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

Significant Actuarial Assumptions

The information presented in the notes and the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation follows:

Valuation Date	January 1, 1997	January 1, 1996	January 1, 1995
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Historical assumptions			
Interest return	8.0 %	8.0 %	8.0 %
Salary increases			
Attributed to inflation	4.0 %	4.0 %	4.0 %
Attributed to seniority/merit	1.0 %	1.0 %	1.0 %

Valuation Date	January 1, 1997	January 1, 1996	January 1, 1995
Participants			
Retirees and beneficiaries currently receiving benefits	111	94	74
Terminated employees entitled to benefits but not yet receiving them	228	208	195
Current employees			
Vested	638	635	614
Nonvested	278	277	259
	1,255	1,214	1,142

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

Trend Information

	<u>Fiscal Year</u>	<u>Amount/%</u>
Annual pension cost	1995	\$ 868,365
	1996	868,365
	1997	-
Percent contributed	1995	100 %
	1996	100
	1997	-
Net pension obligation	1995	\$ -
	1996	-
	1997	-

(12) Other Postemployment Benefits

In accordance with personnel practices, the RTA offers eligible retirees the option to continue participation in its group health insurance plan. Eligibility is in accordance with the qualifying factors of the RTA Pension Plan and Trust as follows: Retired employees who have attained age 55 with ten years of continuous full-time employment are eligible to continue the Health Plan for themselves and their dependents (providing their dependents were covered immediately prior to their retirement). Retired employees who have attained age 65 or older with ten years of continuous full-time employment are eligible for the Medicare Supplement Plan.

Retiree dependents are eligible for either the Health Plan or Medicare Supplement Plan depending on their age (providing they were covered as dependents immediately prior to the employee's retirement).

Election to participate is voluntary with RTA incurring no additional obligations except that the RTA will pay each eligible retiree the sum of \$45.52 per month toward the cost of his/her health insurance. The costs of retiree health care benefits are generally recognized as expense as they are paid and are not material in amount at the present time.

For 1997, the RTA incurred \$3,824 in other postemployment benefit expenditures. There are 7 participants eligible to receive benefits at December 31, 1997.

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

(13) Risk Management

The RTA is exposed to various risks including, but not limited to, losses from workers' compensation, employee health insurance and general liability/property. Commercial insurance coverage is procured to limit RTA's exposure to such losses.

The Workers' Compensation and Employers Liability Insurance Policy is procured through Metra's insurance policy with Liberty Mutual Insurance Group/Boston. The RTA is insured for \$100,000 each accident for bodily injury by accident, and \$100,000 each employee (\$500,000 limit) for bodily injury by disease. Business auto insurance is also provided through Metra's policy with the Federal Insurance Company. The RTA's property, valued at \$4.5 million, is insured through Pace's Property Insurance with St. Paul Fire & Marine. The RTA's portion of insurance premiums is paid to Metra and Pace, and is accounted for in the General Fund. The RTA had no settlements in excess of insurance coverage in the past three years.

The RTA provides a Group Insurance Plan to eligible employees with Trustmark Insurance Co. The Insurance Plan includes coverage for comprehensive medical benefit, dental, long-term disability, employee and dependent life insurance. Certain employees elect to have their medical benefits provided by HMO carriers, such as Rush/Pru Care, FHP Healthcare, United Healthcare, Humana and HMO Illinois. Monthly premiums are paid directly to the benefit providers, and are also accounted for in the General Fund.

In addition, the RTA is a participant in RTA's Joint Self-Insurance Fund. The Regional Transportation Authority Joint Self-Insurance Fund (Fund) was created as required by Article Two of the Loss Financing Plan (Plan) of the Regional Transportation Authority and the three Service Boards - the Chicago Transit Authority (CTA), the Commuter Rail Division (Metra) and the Suburban Bus Division (Pace). The Plan is intended primarily to serve as a mechanism for funding catastrophic losses and, by capitalizing the Fund in advance of such losses, to smooth their impact over time. The Fund is essentially a self-insurance program that provides a means for financing losses that are normally insured, and is included in the Regional Transportation Authority's reporting entity as a proprietary fund type (enterprise fund). The Plan is administered by the RTA, CTA, Metra and Pace (Participating Entities) utilizing a Fund Manager appointed by the RTA and three Fund Advisors, one appointed by each of the Service Boards.

As of November 15, 1993, the Fund entered into a multi-year, claims-made insurance agreement with a third-party insurance company to insure the Participating Entities against certain losses in excess of \$5 million, but not to exceed \$45 million, individually or in the aggregate. Premiums for this coverage are paid from amounts in the Fund.

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

Each participating entity (RTA, CTA, Metra and Pace) is only responsible to repay the Fund for submitted claims paid by the Fund. Except for the third-party insurance coverage, the Fund acts exclusively as a claims-servicer, not an insurer, with respect to claims presented.

The limit of liability to the Fund is established at \$50 million less the retained limit (deductible portion) as described below:

General Liability - The categories of general liability that are covered, with certain defined exclusions, by the joint agreement are:

- a. Personal injury
- b. Property damage
- c. Advertising injury
- d. Evacuation, evacuation expenses and loss of use

The retained limit (deductible portion) for each Participating Entity is:

CTA	\$	2,500,000
Metra		2,500,000
Pace		250,000
RTA		100,000

At December 31, 1997, the Joint Self-Insurance Fund had outstanding cash advances due from the Service Boards for liability claims paid. The advances are due as follows:

	CTA	Pace	Total
1997	\$ 3,500,000	1,000,000	4,500,000
1998	1,872,965	1,000,000	2,872,965
1999	-	1,000,000	1,000,000
2000	-	1,000,000	1,000,000
2001	-	136,176	136,176
	\$ 5,372,965	4,136,176	9,509,141

The advances accrued interest at 5.32% during 1997. Accrued interest due from the CTA and Pace amounted to \$297,236 and \$187,738, respectively, at December 31, 1997.

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

Officer and Employee Liability - all directors, officers or employees of each Participating Entity are covered, with certain defined exclusions, by the Plan. The retained limits are \$100,000 for each covered person. If a loss is covered under both types of liability, then the retained limit for general liability will apply.

(14) Reconciliation of Budgetary Basis to GAAP Basis Accounting

The accompanying combined statement of revenues, expenditures and changes in fund balances - budget and actual - General and Agency Funds presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ with generally accepted accounting principles, a reconciliation of timing differences in the excess of revenues and other financing sources over expenditures and other financing uses is presented below:

	General Fund
Deficiency of revenues over expenditures and other financing use - budgetary basis	\$ (433,123)
Adjustments	
Capital grant expenditures incurred in current year but considered in prior years' budgets	(17,533,304)
Capital grant expenditures expected to be incurred in future years but considered in current year budget	9,908,403
RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	4,049,055
Deficiency of Revenues Over Expenditures and Other Financing Use - GAAP Basis	\$ (4,008,969)

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

Notes to General Purpose Financial Statements

(15) Commitments and Contingencies

The RTA has an operating lease agreement for its office facilities. Operating lease expenditures totaled \$910,122 in 1997 which included \$578,301 of operating expenses paid under the terms of the lease agreement. Minimum annual rental payments by the RTA are as follows:

Year	Amount
1998	\$ 362,449
1999	362,449
2000	362,449
2001	362,449
2002	302,449
Total	\$ 1,752,245

The RTA is a defendant or respondent in various lawsuits and administrative proceedings. In the opinion of the RTA management, the ultimate resolution of these lawsuits will not have a material adverse effect on the RTA's financial position or its results of operations.

(16) Subsequent Event

Under a lease agreement effective January 1, 1995, between the CTA and the Public Building Commission of Chicago (PBC), as discussed in Note 1, the RTA was directed to pay \$666,125 to the PBC in March, 1995 and June, 1995 from the CTA's portion of Sales Tax Revenues. Similar amounts were to be paid in March and June of succeeding years until November 15, 2014, or until the lease obligations have been paid in full. On May 1, 1998, the CTA defeased the capital lease agreement with the Public Building Commission (PBC). The CTA placed approximately \$13.1 million into an irrevocable trust with a third party in order to meet all of its payment obligations throughout the term of the PBC lease. The RTA, therefore, is no longer required to make such payments.

**COMBINING, INDIVIDUAL FUND AND
ACCOUNT GROUP STATEMENTS AND SCHEDULES**

GENERAL FUND

The general fund is used to account for resources traditionally associated with the RTA which are not required legally or by sound financial management to be accounted for in another fund.

REGIONAL TRANSPORTATION AUTHORITY

Schedule A-1

General Fund

Schedule of Expenditures - Budget and Actual (Budgetary Basis)

Year Ended December 31, 1997

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures			
Operating grants	\$ 146,716,000	147,011,033	(295,033)
Capital grants - current year	21,942,000	21,942,000	-
Total Grant Expenditures	168,658,000	168,953,033	(295,033)
Administration			
Salaries and benefits	2,913,007	2,802,312	110,695
Business expenditures	147,179	114,313	32,866
Supplies, services and other expenditures	289,250	199,104	90,146
Rentals and utilities	656,300	616,372	39,928
Professional services	773,325	422,019	351,306
Total Administration	4,779,061	4,154,120	624,941
Non-Administration			
Travel information center	3,793,953	3,251,357	542,596
Other			
Public affairs	1,500,106	1,391,483	108,623
Customer service center	165,286	133,292	31,994
Reduced fare registration	667,579	633,708	33,871
Americans with Disabilities Act	1,042,387	1,064,563	(22,176)
Other regional projects	3,158,777	2,009,525	1,149,252
Total Other	6,534,135	5,232,571	1,301,564
Total Non-Administration	10,328,088	8,483,928	1,844,160
Capital outlay	7,237,000	7,237,000	-
Total Expenditures	\$ 191,002,149	188,828,081	2,174,068

DEBT SERVICE FUNDS

1986A Bonds Fund - to account for operating transfers received, investment income and principal and interest payments made for 1986A general obligation bonds.

1990A Bonds Fund - to account for operating transfers received, investment income and principal and interest payments made for 1990A general obligation bonds.

1991A Bonds Fund - to account for operating transfers received, investment income and principal and interest payments made for 1991A general obligation bonds.

1992A & B Bonds Fund - to account for operating transfers received, investment income and principal and interest payments made for 1992A & B general obligation bonds.

1993A & B Bonds Fund - to account for operating transfers received, investment income and principal and interest payments made for 1993A & B general obligation bonds.

1993C Bonds Fund - to account for operating transfers received, investment income and principal and interest payments made for 1993C refunding general obligation bonds.

1994A & B Bonds Fund - to account for operating transfers received, investment income and principal and interest payments made for 1994A & B general obligation bonds.

1994C & D Bonds Fund - to account for operating transfers received, investment income and principal and interest payments made for 1994C & D general obligation bonds.

1996 Bonds Fund - to account for operating transfers received, investment income and principal and interest payments made for 1996 refunding general obligation bonds.

1997 Bonds Fund - to account for operating transfers received, investment income and principal and interest payments made for 1997 refunding general obligation bonds.

REGIONAL TRANSPORTATION AUTHORITY

Debt Service Funds

Combining Balance Sheet

December 31, 1997

	1986A Bonds	1990 A Bonds	1991A Bonds	1992A & B Bonds
Assets				
Cash and investments	\$ -	1,387,039	1,558,297	3,983,335
Accrued interest receivable	-	3,011	4,760	26,956
Total Assets	\$ -	1,390,050	1,563,057	4,010,291
Liabilities				
Due to other funds	\$ -	-	-	-
Accrued interest payable	-	-	-	-
Total Liabilities	-	-	-	-
Fund balances - reserved for debt service	-	1,390,050	1,563,057	4,010,291
Total Liabilities and Fund Balances	\$ -	1,390,050	1,563,057	4,010,291

1993A & B Bonds	1993C Bonds	1994A & B Bonds	1994C & D Bonds	1996 Bonds	1997 Bonds	Total
2,063,289	1,469,732	4,368,501	3,038,527	1,372,690	1,291,383	20,532,793
10,565	7,185	28,612	19,469	13,577	4,818	118,953
2,073,854	1,476,917	4,397,113	3,057,996	1,386,267	1,296,201	20,651,746
-	-	-	-	-	232,125	232,125
-	-	-	-	-	453,763	453,763
-	-	-	-	-	685,888	685,888
2,073,854	1,476,917	4,397,113	3,057,996	1,386,267	610,313	19,965,858
2,073,854	1,476,917	4,397,113	3,057,996	1,386,267	1,296,201	20,651,746

REGIONAL TRANSPORTATION AUTHORITY

Debt Service Funds

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances

Year Ended December 31, 1997

	1986A Bonds	1990 A Bonds	1991A Bonds	1992A & B Bonds
Revenues - investment income	\$ 2,268	123,229	135,514	272,227
Expenditures				
Debt service - principal	-	1,575,000	1,640,000	-
Debt service - interest	-	4,995,473	5,228,881	13,787,613
Debt issuance costs	-	-	-	-
Total Expenditures	-	6,570,473	6,868,881	13,787,613
Excess (Deficiency) of Revenues Over Expenditures	2,268	(6,447,244)	(6,733,367)	(13,515,386)
Other financing sources (uses)				
Refunding bond proceeds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Operating transfers in	-	6,584,696	7,673,354	16,415,622
Operating transfers out	(399,519)	(147,028)	(957,238)	(451,645)
Total Other Financing Sources (Uses)	(399,519)	6,437,668	6,716,116	15,963,977
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(397,251)	(9,576)	(17,251)	2,448,591
Fund Balances				
Beginning of year	397,251	1,399,626	1,580,308	1,561,700
End of year	\$ -	1,390,050	1,563,057	4,010,291

1993A & B Bonds	1993C Bonds	1994A & B Bonds	1994C & D Bonds	1996 Bonds	1997 Bonds	Total
146,297	86,355	341,272	232,910	360,855	15,118	1,716,045
1,865,000	160,000	3,860,000	2,095,000	470,000	-	11,665,000
4,799,383	1,243,768	13,218,688	8,535,640	7,557,510	1,370,988	60,737,944
-	-	-	-	25,000	1,058,550	1,083,550
6,664,383	1,403,768	17,078,688	10,630,640	8,052,510	2,429,538	73,486,494
(6,518,086)	(1,317,413)	(16,737,416)	(10,397,730)	(7,691,655)	(2,414,420)	(71,770,449)
-	-	-	-	-	105,570,935	105,570,935
-	-	-	-	-	(107,138,357)	(107,138,357)
7,808,432	1,363,699	17,178,075	10,695,900	8,469,989	4,592,155	80,781,922
(1,097,794)	-	-	-	-	-	(3,053,224)
6,710,638	1,363,699	17,178,075	10,695,900	8,469,989	3,024,733	76,161,276
192,552	46,286	440,659	298,170	778,334	610,313	4,390,827
1,881,302	1,430,631	3,956,454	2,759,826	607,933	-	15,575,031
2,073,854	1,476,917	4,397,113	3,057,996	1,386,267	610,313	19,965,858

CAPITAL PROJECTS FUNDS

SCIP Bonds Fund - to account for 1992 through 1994 bond sale proceeds, investment income earned and related SCIP capital grants made to the Service Boards as expenditures are incurred.

Non-SCIP Bonds Fund - to account for 1990 through 1994 bond sale proceeds, investment income earned and related Non-SCIP capital grants made to the Service Boards as expenditures are incurred.

Investment Income on Bonds Fund - to account for transfers of investment income from SCIP and Non-SCIP Bonds funds and related investment income capital grants made to the Service Boards as expenditures are incurred.

REGIONAL TRANSPORTATION AUTHORITY

Schedule C-1

Capital Projects Funds

Combining Balance Sheet

December 31, 1997

	SCIP Bonds	Non-SCIP Bonds	Investment Income on Bonds	Total
Assets				
Cash and investments	\$ 139,731,690	68,399,742	-	208,131,432
Due from other funds	-	-	45,338,658	45,338,658
Accrued interest receivable	408,911	288,853	-	697,764
Total Assets	\$ 140,140,601	68,688,595	45,338,658	254,167,854
Liabilities				
Due to other funds	\$ 31,150,738	14,187,920	-	45,338,658
Due to Service Boards	15,496,467	506,507	1,069,625	17,072,599
Accrued other expenditures	16,220,166	-	-	16,220,166
Total Liabilities	62,867,371	14,694,427	1,069,625	78,631,423
Fund Balances				
Reserved for bond capital projects	77,273,230	53,994,168	44,269,033	175,536,431
Total Liabilities and Fund Balances	\$ 140,140,601	68,688,595	45,338,658	254,167,854

Capital Projects Funds

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances

Year Ended December 31, 1997

	SCIP Bonds	Non-SCIP Bonds	Investment Income on Bonds	Total
Revenues				
Investment income	\$ 12,052,661	4,608,029	-	16,660,690
Total Revenues	12,052,661	4,608,029	-	16,660,690
Expenditures				
Capital grants	54,052,213	14,872,801	8,032,510	76,957,524
Excess (Deficiency) of Revenues Over Expenditures	(41,999,552)	(10,264,772)	(8,032,510)	(60,296,834)
Other Financing Sources (Uses)				
Operating transfers in	-	-	52,301,543	52,301,543
Operating transfers out	(36,788,514)	(15,513,029)	-	(52,301,543)
Total Other Financing Sources (Uses)	(36,788,514)	(15,513,029)	52,301,543	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(78,788,066)	(25,777,801)	44,269,033	(60,296,834)
Fund Balances				
Beginning of year	156,061,296	79,771,969	-	235,833,265
End of year	\$ 77,273,230	53,994,168	44,269,033	175,536,431

FIDUCIARY FUND TYPES

Trust Fund

Pension Fund - to account for the accumulation of resources for, and payment of, retirement benefits to employees participating in the RTA Pension Plan and Trust.

Agency Fund

Sales Tax Fund - to account for the receipt and disbursement of amounts due to the CTA, Metra and Pace, including Retailers' Occupation and Use Tax (sales tax), interest on this tax, reduced fare reimbursement grants and federal operating assistance grants.

REGIONAL TRANSPORTATION AUTHORITY

Schedule D-1

Fiduciary Fund Types

Combining Balance Sheet

December 31, 1997

	Agency Sales Tax	Trust Pension	Total
Assets			
Cash and investments	\$ -	75,897,712	75,897,712
Receivables			
Federal operating assistance	109,968	-	109,968
Sales tax	128,716,105	-	128,716,105
Interest on sales tax	268,495	-	268,495
Reduced fare reimbursement	19,809,806	-	19,809,806
Advances to Services Boards	38,164,712	-	38,164,712
Accrued interest	-	480,381	480,381
Total Assets	\$ 187,069,086	76,378,093	263,447,179
Liabilities			
Intergovernmental payables			
Federal operating assistance	\$ 109,968	-	109,968
Reduced fare reimbursement	19,809,806	-	19,809,806
Sales tax due to Service Boards	128,716,105	-	128,716,105
Interest on sales tax due to Service Boards	268,495	-	268,495
Advances from State	38,164,712	-	38,164,712
Accrued other items	-	74,214	74,214
Total Liabilities	187,069,086	74,214	187,143,300
Fund equity - reserved for employee retirement	-	76,303,879	76,303,879
Total Liabilities and Fund Equity	\$ 187,069,086	76,378,093	263,447,179

REGIONAL TRANSPORTATION AUTHORITY

Schedule D-2

Agency Fund

Statement of Changes in Assets and Liabilities

Year Ended December 31, 1997

Sales Tax Fund	Balance December 31, 1996	Additions	Deductions	Balance December 31, 1997
Assets				
Intergovernmental receivables				
Federal operating assistance	\$ 20,962	21,680,595	21,591,589	109,968
Sales tax	123,128,475	472,171,435	466,583,805	128,716,105
Interest on sales tax	242,692	1,477,356	1,451,553	268,495
Reduced fare reimbursement	20,000,000	19,243,297	19,433,491	19,809,806
Advances to Service Boards	37,327,836	836,876	-	38,164,712
Total Assets	\$ 180,719,965	515,409,559	509,060,438	187,069,086
Liabilities				
Intergovernmental payables				
Federal operating assistance	\$ 20,962	21,680,595	21,591,589	109,968
Reduced fare reimbursement	20,000,000	19,243,297	19,433,491	19,809,806
Sales tax due to Service Boards	123,128,475	472,082,429	466,494,799	128,716,105
Interest on sales tax due to Service Boards	242,692	1,477,356	1,451,553	268,495
Advances from State	37,327,836	836,876	-	38,164,712
Total Liabilities	\$ 180,719,965	515,320,553	508,971,432	187,069,086

GENERAL FIXED ASSETS ACCOUNT GROUP

To account for fixed assets used in operations accounted for in governmental fund types.

REGIONAL TRANSPORTATION AUTHORITY

Schedule E-1

General Fixed Assets Account Group

Schedule of General Fixed Assets - By Source

December 31, 1997

Office furniture and equipment	\$	249,587
Computer equipment		1,815,151
Transportation equipment		18,216,455
Leasehold improvements		2,078,009
Total General Fixed Assets	\$	22,359,202

Investment in general fixed assets by source - sales tax	\$	22,359,202
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REGIONAL TRANSPORTATION AUTHORITY

Schedule E-2

General Fixed Assets Account Group

Schedule of General Fixed Assets - By Function

December 31, 1997

		Office Furniture and Equipment	Computer Equipment	Transportation Equipment	Leasehold Improvements	Total
Administrative	\$	229,635	377,569	-	2,078,009	2,685,213
Personal Rapid Transit		-	-	18,216,455	-	18,216,455
Travel Information Center		19,952	1,437,582	-	-	1,457,534
Total General Fixed Assets	\$	249,587	1,815,151	18,216,455	2,078,009	22,359,202

REGIONAL TRANSPORTATION AUTHORITY

Schedule E-3

General Fixed Assets Account Group

Schedule of Changes in General Fixed Assets - By Function

Year Ended December 31, 1997

	Balance December 31, 1996	Additions	Retirements	Balance December 31, 1997
Administrative	\$ 3,220,255	41,995	577,037	2,685,213
Personal Rapid Transit	15,384,284	2,832,171	-	18,216,455
Travel Information Center	1,587,240	-	129,706	1,457,534
Fare Collection Systems	2,094,036	-	2,094,036	-
Total General Fixed Assets	\$ 22,285,815	2,874,166	2,800,779	22,359,202

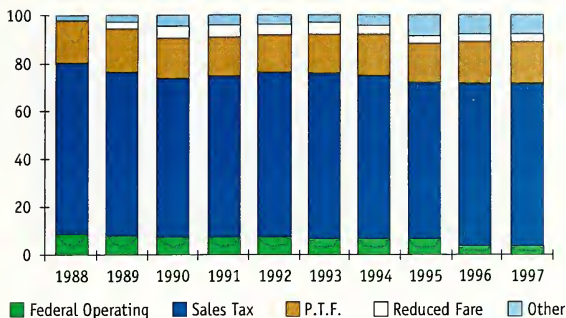
STATISTICAL SECTION
(UNAUDITED)

The information on the following tables is unaudited - see accompanying independent auditors' report.

The revenues and expenditures presented on the following tables include the activity in all the RTA's funds (General Debt Service, Capital Projects, Enterprise, Trust and Agency). Additions to and disbursements from the Sales Tax (Agency) Fund are considered to be revenues and expenditures, respectively, for the purpose of presentation in these tables.

RTA REVENUE BY SOURCE (ALL FUNDS)

1988-1997
(Percentage)



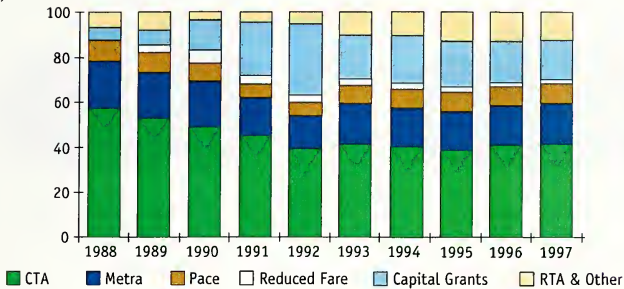
Last Ten Years

(In Thousands)

	Federal Operating Assistance	Sales Tax	Public Transportation Fund	Reduced Fare	Other	Total
12 Months Ended 12/31/88	48,848	418,752	102,701	—	13,854	584,155
Percentage of Total	8.36%	71.69%	17.58%	0.00%	2.37%	100%
12 Months Ended 12/31/89	49,602	429,988	107,294	16,090	16,775	619,749
Percentage of Total	8.00%	69.38%	17.31%	2.60%	2.71%	100%
12 Months Ended 12/31/90	49,947	444,110	110,855	39,646	25,296	669,854
Percentage of Total	7.46%	66.30%	16.55%	5.92%	3.77%	100%
12 Months Ended 12/31/91	49,019	425,173	109,195	35,267	22,583	641,237
Percentage of Total	7.64%	66.31%	17.03%	5.50%	3.52%	100%
12 Months Ended 12/31/92	49,141	445,891	109,843	27,924	22,587	655,386
Percentage of Total	7.50%	68.03%	16.76%	4.26%	3.45%	100%
12 Months Ended 12/31/93	49,421	462,393	115,771	23,410	28,332	679,327
Percentage of Total	7.27%	68.07%	17.04%	3.45%	4.17%	100%
12 Months Ended 12/31/94	49,475	497,698	124,002	24,861	38,997	735,033
Percentage of Total	6.73%	67.71%	16.87%	3.38%	5.31%	100%
12 Months Ended 12/31/95	43,128	513,301	129,866	22,520	78,165	786,980
Percentage of Total	5.48%	65.23%	16.50%	2.86%	9.93%	100%
12 Months Ended 12/31/96	21,598	532,304	133,044	20,435	73,978	781,359
Percentage of Total	2.76%	68.13%	17.03%	2.61%	9.47%	100%
12 Months Ended 12/31/97	\$21,591	\$555,496	\$139,093	\$19,243	\$79,935	\$815,358
Percentage of Total	2.65%	68.11%	17.05%	2.36%	9.81%	100%

DISTRIBUTION OF EXPENDITURES (ALL FUNDS)

1988-1997
(Percentage)



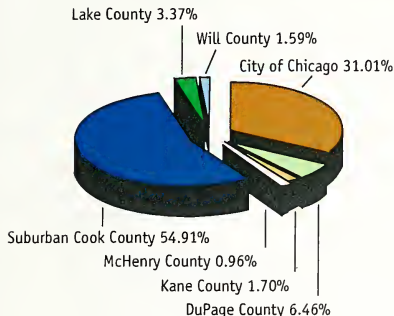
Last Ten Years

(In Thousands)

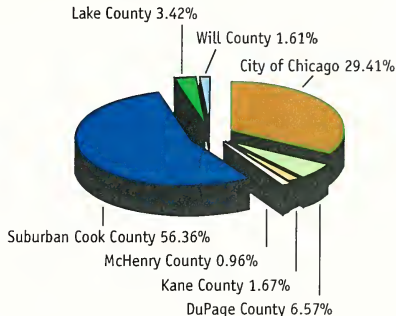
	Operating Grants				Reduced Fare	Capital Grants	RTA and Other	Total
	CTA	Metra	Pace	Total				
12 Months Ended 12/31/88	309,799	125,509	49,454	484,762	-	30,184	39,626	554,572
Percentage of Total	55.86%	22.63%	8.92%	87.41%	0.00%	5.44%	7.15%	100%
12 Months Ended 12/31/89	321,297	125,168	50,413	496,878	16,090	40,110	53,980	607,058
Percentage of Total	52.93%	20.62%	8.30%	81.85%	2.65%	6.61%	8.89%	100%
12 Months Ended 12/31/90	335,130	135,196	53,485	523,811	39,646	93,838	26,539	683,834
Percentage of Total	49.01%	19.77%	7.82%	76.60%	5.80%	13.72%	3.88%	100%
12 Months Ended 12/31/91	357,121	138,088	53,041	548,250	35,267	175,746	35,250	794,513
Percentage of Total	44.95%	17.38%	6.68%	69.01%	4.44%	22.12%	4.43%	100%
12 Months Ended 12/31/92	355,149	132,951	54,074	542,174	27,924	279,291	45,827	895,216
Percentage of Total	39.67%	14.85%	6.04%	60.56%	3.12%	31.20%	5.12%	100%
12 Months Ended 12/31/93	367,599	142,248	58,697	568,544	23,409	167,170	58,482	817,605
Percentage of Total	44.96%	17.40%	7.18%	69.54%	2.86%	20.45%	7.15%	100%
12 Months Ended 12/31/94	365,200	148,638	62,129	575,967	24,861	174,128	82,658	857,614
Percentage of Total	42.58%	17.33%	7.24%	67.15%	2.90%	20.30%	9.65%	100%
12 Months Ended 12/31/95	365,005	154,592	65,198	584,795	22,520	164,266	104,659	876,240
Percentage of Total	41.66%	17.64%	7.44%	66.74%	2.57%	18.75%	11.94%	100%
12 Months Ended 12/31/96	372,479	158,042	66,496	597,017	20,435	149,215	103,587	870,254
Percentage of Total	42.80%	18.16%	7.64%	68.60%	2.35%	17.15%	11.90%	100%
12 Months Ended 12/31/97	\$377,198	\$166,083	\$67,337	\$610,618	\$19,243	\$136,680	\$97,701	\$864,242
Percentage of Total	43.64%	19.22%	7.79%	70.65%	2.27%	15.78%	11.30%	100%

SALES TAX REVENUE SOURCE BY COUNTY/CITY OF CHICAGO

1996



1997



RETAILERS' OCCUPATION AND USE TAX (SALES TAX) REVENUES BY COUNTY/CITY OF CHICAGO

Last Ten Years

(In Thousands)

Location of Retailer	City of Chicago	Suburban Cook County	DuPage County	Kane County	Lake County	McHenry County	Will County	Total
12 Months Ended 12/31/88	146,037	226,332	21,845	5,927	10,702	2,867	5,042	418,752
Percentage of Total	34.87%	54.05%	5.22%	1.42%	2.56%	0.68%	1.20%	100%
12 Months Ended 12/31/89	149,095	232,262	22,734	6,201	11,314	3,059	5,323	429,988
Percentage of Total	34.67%	54.02%	5.29%	1.44%	2.63%	0.71%	1.24%	100%
12 Months Ended 12/31/90	152,611	240,429	23,615	6,448	11,997	3,302	5,708	444,110
Percentage of Total	34.36%	54.14%	5.32%	1.45%	2.70%	0.74%	1.29%	100%
12 Months Ended 12/31/91	142,034	232,487	23,277	6,332	12,151	3,312	5,580	425,173
Percentage of Total	33.41%	54.68%	5.47%	1.49%	2.86%	0.78%	1.31%	100%
12 Months Ended 12/31/92	145,541	244,671	26,015	6,717	13,289	3,631	6,027	445,891
Percentage of Total	32.64%	54.87%	5.84%	1.51%	2.98%	0.81%	1.35%	100%
12 Months Ended 12/31/93	148,334	253,591	28,060	7,278	14,341	4,026	6,763	462,393
Percentage of Total	32.09%	54.84%	6.07%	1.57%	3.10%	0.87%	1.46%	100%
12 Months Ended 12/31/94	157,802	273,398	30,568	8,006	15,819	4,541	7,564	497,698
Percentage of Total	31.71%	54.93%	6.14%	1.61%	3.18%	0.91%	1.52%	100%
12 Months Ended 12/31/95	160,301	282,898	32,230	8,546	16,770	4,735	7,821	513,301
Percentage of Total	31.23%	55.11%	6.28%	1.67%	3.27%	0.92%	1.52%	100%
12 Months Ended 12/31/96	165,051	292,319	34,370	9,044	17,929	5,096	8,495	532,304
Percentage of Total	31.01%	54.91%	6.46%	1.70%	3.37%	0.96%	1.59%	100%
12 Months Ended 12/31/97	\$163,366	\$313,113	\$36,482	\$9,301	\$18,980	\$5,329	\$8,925	\$555,496
Percentage of Total	29.41%	56.36%	6.57%	1.67%	3.42%	0.96%	1.61%	100%

Sales Tax Revenue Source by County or City of Chicago

1997



Source: Cook County Auditor's Office

1997

1997

1997

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LEGAL DEBT CAPACITY

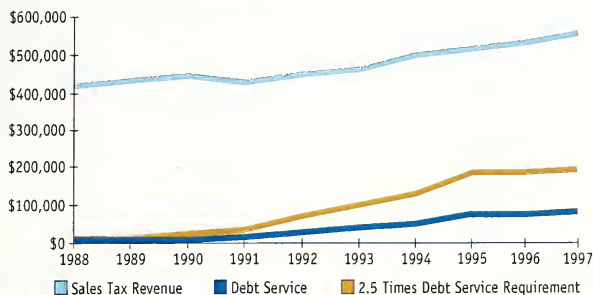
1997

	Balance Outstanding at December 31, 1997	Maximum Issued	
Legal Debt Margin:			
Debt limitation per Act for General Obligations			\$1,000,000,000
Debt applicable to limitation:			
RTA Bonds:			
1990A General Obligation Bonds	\$66,180,000		
1991A General Obligation Bonds	63,305,000		
1992B General Obligation Bonds	11,830,000		
1993B General Obligation Bonds	6,600,000		
1993C General Obligation Bonds	22,675,000		
1994B General Obligation Bonds	17,140,000		
1994D General Obligation Bonds	52,920,00		
1996 General Obligation Bonds	150,765,000		
1997 General Obligation Bonds	98,385,000		
Total RTA Bonds Applicable to Limitation	\$489,800,000		(489,800,000)
SCIP Bonds:			
1992A General Obligation Bonds	\$188,000,000	\$188,000,000	
1993A General Obligation Bonds	54,070,000	55,000,000	
1994A General Obligation Bonds	187,490,000	195,000,000	
1994C General Obligation Bonds	61,345,000	62,000,000	
Total SCIP Bonds Applicable to Limitation		\$500,000,000	(500,000,000)
Total SCIP Bonds Outstanding	\$490,905,000		
Total Bonds Outstanding	\$980,705,000		
Debt Margin for General Obligations			10,200,000
Debt Limitation per Act for Working Cash Notes			100,000,000
Total Legal Debt Margin			\$110,200,000



COMPARISON OF SALES TAX REVENUE TO DEBT SERVICE REQUIREMENT

1988 - 1997
(In Thousands)



Revenue Test: Sales tax must be 2.5 times greater than the debt service requirement.

Last Ten Years

(In Thousands)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Sales Tax Revenue	418,752	429,988	444,110	425,173	445,891	462,393	497,698	513,301	532,304	555,496
Debt Service Requirement	5,352	5,353	8,900	13,540	27,917	39,909	51,978	76,550	76,301	78,359
2.5 Times Debt Service Requirement	13,380	13,383	22,250	33,850	69,793	99,773	129,945	191,375	190,753	195,898

Note: Differences, if any, between debt service amounts presented above and amounts presented in the accompanying general purpose financial statements represent timing differences between payments made to trustees and payments made to bondholders. Also, investment income earned in the debt service accounts may lower actual cash transfers from the General Fund.

RATIO OF ANNUAL DEBT SERVICE REQUIREMENTS FOR GENERAL OBLIGATION BONDS TO TOTAL EXPENDITURES

Last Ten Years

(In Thousands)

Year	Debt Service Requirements			Total Expenditures	Ratio of Debt Service To Total Expenditures
	Principal	Interest	Total		
1988	\$3,325	\$2,027	\$5,352	\$554,572	0.97%
1989	3,475	1,878	5,353	607,058	0.88%
1990	3,640	5,260	8,900	683,834	1.30%
1991	4,915	8,625	13,540	794,513	1.70%
1992	5,185	22,732	27,917	895,216	3.12%
1993	6,896	33,013	39,909	817,605	4.88%
1994	7,350	44,628	51,978	857,614	6.06%
1995	10,289	66,261	76,550	876,240	8.74%
1996	13,113	63,118	76,301	870,254	8.77%
1997	13,898	64,461	78,359	864,168	9.07%

Note: The debt service requirements for 1996 as shown in 1995 CAFR were reduced by \$3,759 and \$5,150 in interest as a result of early defeasance in January 1996 of RTA General Obligation Series 1994B and 1994D, respectively. As \$7,571 was added to the debt service requirement for 1996 Series, \$1,371 was also added for 1997 Series.

Table 7

FEDERAL ALLOCATION OF CAPITAL FUNDS TO NORTHEASTERN ILLINOIS

Last Ten Calendar Years

(In Millions)

Sections 3, 9 and 23 (including CMAQ and STP)

Federal Fiscal Year	Total Awarded	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division
1988	245.72	154.18	72.93	18.61
1989	270.17	165.89	84.34	19.94
1990	174.79	113.45	42.46	18.88
1991	174.79	101.10	67.53	6.16
1992	161.14	90.77	57.14	13.23
1993	175.43	99.75	63.98	11.70
1994	237.20	141.92	77.33	17.95
1995	228.97	127.83	82.80	18.34
1996	233.97	131.92	84.48	17.57
1997	228.42	127.56	80.28	20.58
Total	\$2,130.60	\$1,254.37	\$713.27	\$162.96

SERVICE DIVISION OPERATING CHARACTERISTICS

1997

Chicago Transit Authority

Rapid Transit

- 289 route miles
- 140 stations served
- 1,191 rapid transit cars
- 10.8 million riders per month

Motor Bus

- 1,894 route miles
- 129 bus routes
- 1,882 buses
- 24 million riders per month
(including paratransit riders)

Paratransit

- 103 thousand riders per month

Metra Commuter Rail Division

- 546 route miles
- 1,189 miles of track
- 240 stations
- 130 locomotives
- 747 passenger cars
- 223 electric cars
- 697 trains operated each weekday
- 97.2% on-time performance
- 6.0 million riders per month

Pace Suburban Bus Division

Fixed Route

- 163 regular routes
- 71 feeder routes
- 210 communities served
- 134 commuter rail and rapid transit stations served
- 572 vehicles in use during peak periods
- 3.2 million riders per month

Paratransit

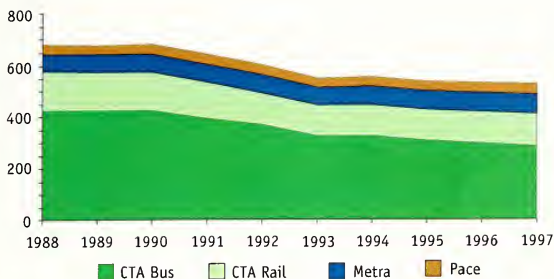
- 66 local services
- 374 Pace owned lift-equipped buses in service
- 210 communities served
- 132 thousand riders per month

Other

- 233 vanpools in operation
- 93 thousand riders per month

SYSTEM RIDERSHIP

1988-1997
(in millions)



UNLINKED PASSENGER TRIPS

Service Consumed:	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
CTA - Bus	424.3	421.7	423.2	394.1	373.3	328.1	327.3	307.3	303.3	288.8
CTA - Rail	149.4	147.7	146.7	135.3	120.6	118.5	120.9	119.3	124.0	130.0
Total CTA	573.7	569.4	569.9	529.4	493.9	446.6	448.2	426.6	427.3	418.8
Metra	67.0	68.4	69.3	69.0	70.0	69.9	72.0	70.4	70.6	72.3
Pace	36.7	37.9	40.4	40.5	39.3	38.3	38.6	37.2	37.5	37.9
System Total	677.4	675.7	679.6	638.9	603.2	554.8	558.8	534.2	535.4	529.0
Percent Change	(1.7%)	(0.3%)	0.6%	(6.0)%	(5.6%)	(8.0)%	0.7%	(4.4%)	0.2%	(1.2%)

